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# **PROPERTY AND IMPROPERTY**

*BY THE SAME AUTHOR:*

DEMOCRACY

WEALTH AND LIFE

WORK AND WEALTH : a Human Valuation

RATIONALISATION AND  
UNEMPLOYMENT

THE ECONOMICS OF UNEMPLOYMENT

FREE THOUGHT IN THE SOCIAL  
SCIENCES

THE INDUSTRIAL SYSTEM

IMPERIALISM

THE EVOLUTION OF MODERN  
CAPITALISM

THE ECONOMICS OF DISTRIBUTION

THE SOCIAL PROBLEM

# PROPERTY AND IMPROPERTY

by

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## CONTENTS

Foreword	<i>page</i>	7
<i>Chapter I.</i> Rights and Wrongs of Property		13
II. The Attack on Impropriety		59
III. International Aspects of the Attack on Impropriety		105
IV. The Defences of Impropriety		144
V. The Lines of a Constructive Policy		177
VI. A Summary		208
<i>Appendix to Chapter IV—</i> Marginalism		214



## FOREWORD

THE TRAGEDY OF SPAIN has cast a baleful light upon the political and economic conflicts which have everywhere arisen between the owning classes and the working classes. For round the Spanish struggle this class distinction has everywhere taken definite shape in active assistance or declared sympathies. Countries under Fascist rule—Germany, Italy, Portugal—furnished arms to the Spanish rebels in the early stages of the rebellion, and in countries under popular self-government upper-class opinion and its Press gave clear expression to a wish for rebel victory. Working-class opinion everywhere supported the Spanish Government and was prepared to lend active aid, if it seemed necessary.

The origin and composition of the rebellion against a popularly elected government also shed light upon the wider world conflict. As was inevitable, the core of rebellion lay with the army

## FORWORD

officers. But the finance of the rebellion was furnished by rich industrialists and big land-owners, who felt their possessions to be menaced by the legalised plunder policy of a democracy. The Church gave a powerful spiritual and material backing to a movement which would safeguard its property and power. This was the natural alignment of conservative forces against the new claim of democracy to use its political and legal powers for a redistribution of property. So long as democracies confined themselves to securing an equal franchise and free opportunities for education and business enterprise, paying due regard to all existing rights of property, Western civilisation seemed to move consistently towards democratic rule. But as soon as democracy began to demand the extension of equality to the distribution of property, whether by public ownership or by social services, or by assistance to trade unionism, the propertied classes and their spiritual and intellectual allies everywhere began to plot against democracy, either displacing it by some definitely fascist rule or corrupting it by sentimental appeals of a nationalist or

## FOREWORD

imperialist order. Sir Norman Angell and others have exposed the follies of the pretence of a conflict of economic interests between the "haves" and the "have-nots" among nations. But they have failed to give adequate recognition to the class-cleavage of "haves" and "have-nots" within each nation as the basic cause of international discord. In every nation this cleavage is growing more distinct, taking the names of "right" and "left," "capitalist" and "socialist," "white" and "red." Whence this conflict with its fears and hates? Because the mind of the proletariat everywhere is coming to realise the nature of the economic, political, and moral sway exercised by the upper classes, and finds it rooted in an amalgam of unearned and forcibly extorted wealth. As this proletarian mentality extends and seeks to use political power for the redress of economic grievances, the threatened classes organise all their political, economic, social and intellectual forces for defence.

Ever since the swiftly established socialism of Russia failed to fail (as was confidently expected by capitalist nations in the early years

## FOREWORD

of the experiment), the fear of its infection in the newly sensitive mind of the organised workers in other countries has been growing, and the Spanish tragedy has dramatised its force and quickened its spirit, so that even in England and America the dread of a socialist or communist government placed in power by "the people" is getting on the nerves of the "upper classes." This double interplay of fears and aspirations, though taking many non-economic shapes, is manifestly an outcome of the new challenge against those wrongs of property which I here generalise under the term "impropriety."

The discontent of the workers and the dismay of many educated members of the upper classes have been sharpened by the novel intensity and duration of an unemployment which is directly traceable to the failure of the capitalist system to function with reasonable success and to the failure of its defenders to give a reasonable explanation of this failure.

The relation between the class-cleavages disclosed within each nation and the wider international issues of competing imperialisms and

## F O R E W O R D

armaments which threaten war is the subject-matter of these chapters.

The failure of Labour and Socialist parties in this and other countries to make a clear distinction between the right and wrong sorts of property, between the sorts which in their origin and uses are expressive of personal effort and personal satisfaction, and the sorts which proceed from looting, oppressive bargains, gambling and cunning, and are put to luxurious expenditure or waste, is the chief barrier to sound economic reform. Effective remedies for this mal-distribution of incomes, seen to be responsible for the failure of the present capitalist system to produce the goods, can only be based upon an intelligent acceptance of the distinction between property and impropriety.



## CHAPTER I

# RIGHTS AND WRONGS OF PROPERTY

### THE NEW ATTITUDE TOWARDS PROPERTY

FROM THE EARLIEST TIMES the existence and the sense of Property, the exclusive acquisition and use of material objects that are scarce and desirable, have been important factors in the life of man. The possession of good land, for cultivation or for cattle, good access to food, clothing, shelter, the ownership of tools, weapons, totems, ornaments, by particular groups or by individuals and classes within a group, have always been objects of personal or co-operative effort. Such ownership, or property, has been desired and striven for, partly, for pleasurable consumption, partly, as means to further acquisition of consumable goods, but also for power over other human beings and for the prestige

that attaches to ownership and power. Though the pride of possession among great owners must always have evoked some feeling of envy or resentment from those who have striven but failed, the psychology of early human groups, even enlarged from clans to nations, generally held a traditional acquiescence in class distinctions and the distribution of property which belonged thereto. That acquiescence was occasionally broken by the revolutionary action of some ambitious rising class, using popular appeals to the masses for their own possessive ends, but order and the sentiment of acquiescence were restored upon a changed footing which admitted some members of the successful insurgent class to a share of privilege and opportunity, political and economic. Such was the general trend of history up to quite modern times. The recent entry of working-class organisations into politics, and the spread of socialist and communist teaching and activities have, however, brought about in every "civilised" country a movement regarded by the owning classes and their political parties as "an attack on property."

## OF PROPERTY

At the outset of an enquiry into the nature of this attack, it may be well to diagnose the popular feeling that underlies it, a new resentment against the distinctions in standards and modes of living between the owning and the working classes, and against the utilisation of private property in land, capital, and knowledge for the making of profits from the labour of the working "proletariat." Surprise is sometimes expressed that the socialist doctrines of Marx, even simplified for popular consumption, should exercise much influence upon working-class mentality in this and other countries. It is, indeed, absurd to suppose that the Marxist theory of surplus value, the core of his economic teaching, can have penetrated the minds of most active workers in the socialist and communist causes. Even the exposition of this teaching by middle-men, like Hyndman, in this country, is too difficult and abstract to reach the understanding and stir the emotions of the rank and file of socialists and labour men. What, then, is the substance of the thought and feeling that inspires the hopes and fears of an attack on property? I think it must first be said that a

fairly rapid and widespread change has been taking place in the attitude of the town and, to a less extent, the country workers towards their "betters." The traditional acceptance of class distinctions has been weakened in many ways. Better education for the children of the workers has had as yet only a small levelling effect. The higher standard of living, and especially the fuller access to recreation and amusements common to all classes, have had a more important influence. The cheaper mobility of motor travel, and the revelations of the cinema and the radio have had far greater effect than any formal education in breaking down the traditional class sentiment.

But an equally important factor in the new working-class mentality is the decay of the religious and political supports of class distinctions. The dominant stress of the Churches upon "another life" always operated, whether intentionally or not, to depreciate the importance of the comforts and distinctions of this life, and so to win acquiescence in the established order. Indeed, as our Church Catechism urged, children should accept the distinctions of status which

## OF PROPERTY

God had authorised. The divinity which always hedged a king went some way to consecrate all class distinctions of wealth and power and to impose a duty of humility and obedience to masters upon "the lower orders." While this sense still lingers in some rural remnants, it has disappeared, with the religion that fed it, from the working-class life of the city. The admitted weakening of Church influences and of religious creeds is not mainly due to atheistic or agnostic propaganda, but rather to a gradual supplanting of a religious state of mind by a closer realism concerned chiefly with the objects of enjoyment and interest which larger knowledge of this world provides. Science has damaged religion not so much by its rationalism as by its revelation of man's control over nature, the substitution of miracles which actually occur for miracles that do not occur. The loss of respect and veneration for superiors, for class distinctions and attendant rights of property, is an accompaniment of this secular attitude towards life.

The active part taken by working-class politicians in the processes of government is, of

course, a more direct menace to the traditional rights of property. Considering the magnitude of the issues at stake, it must seem at first sight surprising that the formal advances of popular representation in this and other countries during last century bore so little revolutionary fruit. The scares of landowners at the time of the Reform Bill, the Chartist movement and the continental disturbances of '48, the alarms at each further extension of the franchise which seemed to place power in the hands of a predatory democracy, were found to be unnecessary. The acquiescence in class leadership and government in this country kept the two-party system under the control of men drawn exclusively from the propertied classes and their professional servants, and kept political quarrels within the safe ambit of minor social-economic issues, with occasional inflammatory combats in the field of foreign policy. Neither Marx nor Owen nor the other English planters of disturbing doctrines in the early nineteenth century, nor the later revolutionary teachings of Ruskin and the Christian Socialists, exercised any considerable influence

## OF PROPERTY

upon the current of English politics. Not until the swift rise of a Labour Party at the century's close did any real challenge to the traditional class rule occur, nor any attempt to substitute working-class government for the sham democracy which had accepted leadership from the traditional political families, figuring as Conservatives and Liberals, but equally opposed to any disturbance of the rights and power of property.

Now that here and in most European countries the workers are politically organised for the assertion of a more or less revolutionary economic policy, affecting the distribution of wealth and the control of industry, it is of supreme importance that the distinction between the rights and wrongs of property shall be made clear.

Some of the accepted legal rights of property are brought into the field of controversy. The assertion of the right of any man to any property which by the exercise of his economic opportunities he can get possession of, his right to use, neglect or misuse his property, his right to transmit it to others or to receive it from them—such

## RIGHTS AND WRONGS

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legal rights are objects of attack by those who insist that the rights of property should be made conformable to rules of equity and reason.

There is, however, a group of loosely related and overlapping issues concerned with property, some with its origins, others with its nature and uses, private or public, for consumption or for production, that needs prior examination if we are to reach a satisfactory policy. It may be well at the outset to premise that the most important issue will be found in the relation between the origins of private property and its uses. This premise impels us to begin by examining the most primitive forms of human grouping. When the family is the only distinctive group, either in a wandering pastoral or a settled agricultural life, the immediate food supply, the temporary or the fixed shelter, such covering or clothing as is used, some rude tools, utensils, weapons, ornaments, constitute the property of the family or of its head. Most of it consists of goods for the personal consumption of group members, though tools, a cultivated patch of land with some domesticated animals, in less primitive conditions, will rank as

## OF PROPERTY

the beginnings of productive property, or capital. Except where certain families may have occupied and utilised scarce pieces of richer or better-placed soil, no problem of proprietorship need arise. It will be generally recognised that private property is a rightful claim where it has been made by those who hold it and need it for their consumption or their work. In cases where the family is virtually a self-sufficing body, each working member will do his or her allotted part according to capacity and will have a call upon the food and other consumables in accordance with recognised needs. In other words, the principle of communism prevails in a human community. Where the group-life extends beyond the family and a tribal co-operation is required, either for productive or protective purposes, that co-operation will usually be represented in some common property, for hunting, fishing or fighting, or for the maintenance of chiefs, medicine men or priests and their temples. Here the principle of property begins to diverge from its earliest condition, for classes of men arise who do not contribute to the production of what they consume.

There are those who will find in this condition the beginnings of the process of exploitation, or impropriety. But two qualifying considerations must be kept in mind. Chiefs, medicine men and priests are recognised as performing important public services which demand leisure and a dignified existence free from the performance of manual labour. These services are held to be important for the protection against enemies, for the maintenance of internal order and for the management of the climatic and other physical conditions necessary for hunting, agricultural and animal productivity. The non-working recipients of these incomes, usually paid in kind, are not in the early stage to be regarded as exploiters, using moral or physical forces to gain their selfish personal ends. The distinction between the public servant and the economic exploiter is a later development.

So long as the contributions for these services are mainly voluntary, the amounts and kinds determined by the donors, while the latter believe they get good value for their contributions, the sense of public service prevails. But since no intelligible

## OF PROPERTY

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standard of value exists for the exchange between such services and the payments made for them, the tendency of chiefs, medicine men and priests to convert voluntary into obligatory payments and to use their superstitious prestige and other forms of pressure to feed their lust of possession becomes a grave instrument of exploitation.

But students of primitive society will recognise that this account of the origins of property is too simple. Its assumption that property is the product of man's labour and that the predatory process is a later development does not accord with the facts. For there are two original ways of acquiring property. One is labour, the other plunder. Before the evolution of a leisure class within the social group, living upon the product of others' labours, the acquisition of wealth by external plunder had begun. The seizure of the land, the cattle, the persons of neighbouring tribes by forcible capture afforded to primitive man a more prestigious property than that obtained by peaceful labour. Wherever circumstances lent themselves to this alternative method

## RIGHTS AND WRONGS

of acquiring property, a division of labour which gave the routine productive work to women and to slaves, reserving the hunting, fighting, looting processes for men, became the accepted order. Property obtained without work, by force or cunning, thus held a double value, as testimony to the personal glory of its owner and as possessing useful qualities in itself. This tribute to the superiority of those forms of property acquired without labour still survives in the social status of the "independent" gentleman of to-day, and helps to explain why what seems to the workers a plain principle of reason and justice, viz. that property should come from and correspond to personal productive effort, has no appeal to the mind of most members of the owning classes. But though this acquisition of property by predatory practices has played an important part in lowering "the dignity of labour," too much must not be made of it. For most primitive groups are not habitually predatory. They preserve a close connection between processes of production and consumption. Work and needs are kept in close relation where food, clothing and shelter are

## OF PROPERTY

produced by each family for its own requirements and where the "surplus" available for the support of chiefs and other non-workers is of necessity a small proportion of the whole product. Even where division and specialisation of labour, with its accompaniment of local markets, have begun to enlarge productivity, and to enable members to consume articles which they personally have not helped to produce, the principle of private property in the product of one's labour still remains as a ruling sentiment. The first active feeling against exploitation is usually directed, not against landowners or even employers, but against traders who take too large a toll upon the goods which pass through their hands. "Engrossing, forestalling and regrating" are sins as heinous as the usury practised by money-lenders, and more widely prevalent. While feudal burdens were often exceedingly oppressive upon farmers and labourers, while guild-regulations often kept prices at excessive levels for the gain of restricted classes of craftsmen, both forms of forced gain were concealed by the protective and productive services associated with feudalism

and guilds, and long-established custom kept in quiescence the minds of the injured classes.

It is an interesting commentary upon the situation that, apart from a few brief flickers of revolutionary fire, no clear widespread realisation of, or resentment against, economic exploitation and impropriety arose until the modern era of "free competition" and world-commerce had begun. The Industrial Revolution deserved its title not merely because it gave the dominant place in industry to machinery and non-human "power," but also because it evoked and was accompanied by a revelation of the new position of the working classes, under conditions of employment where the earlier personal relations between employer and employed had given way to the dominion of the machine and the "soulless" company. The prevalence of large-scale mechanical production where wages, hours and other conditions of work and life were imposed by the owners of the machines, materials and power, through their servant-employers, upon the workers in a factory, a mine, a railway, a warehouse, produced a new mentality in the workers,

## OF PROPERTY

at first confused and impotent, then fastening upon the discovery that, unless they could combine successfully for the use of economic and political forces, the dictation of the owner class was absolute.

### SOCIALIST CRITICISM OF PROPERTY

How far definite economic thinking has contributed to, and is expressed in, this new mental attitude of the workers, it is difficult to estimate. Indeed, to speak of it as a mental attitude at all is to adopt a more definite term than is perhaps permissible. The socialist, trade union, and co-operative movements have asserted themselves first in the sphere of action. The thought, even the policy, that underlies such action (perhaps implicit in it) emerges later and takes slow, gradual shape in popular thought. This does not, however, signify that the foundations of socialistic and other working-class policies have not played an important part in the new attitudes towards industry and property. Indeed, the place accorded to Karl Marx by millions of men who have never

read *Das Kapital*, and if they had tried to read it would have soon retreated in mortal dismay, is itself a valuable testimony to the ~~dangerous~~ power of thought. Middlemen interpreters, orator propagandists, have, of course, been necessary instruments in putting into the mind and feelings of the populace the revolutionary positions of Marx, emotionalised and stripped of their abstract reasoning. Current popular socialism seems to have taken from Marxism a loose rendering of surplus-value as the profit, rent, interest, which the capitalist is able to take from the product of the labour power of the workers. Though Marx did not envisage this value as measured and determined by the productive exertion of the individual worker but as a social labour product, the popular appeal dramatises the predatory action of the capitalist as taking a piece of value or property rightly regarded as made by the workers. Again, though Marx was sometimes willing to assign to the inventor, the organiser and the salaried classes a productive utility, the tendency of popular socialism is, either to deprecate the part played by such mental labours as

## OF PROPERTY

involving little personal cost, or to regard its value as constituting a greater productivity of labour. This attitude facilitates the positive claim of socialism that conscious social organisation of industry is a necessary condition for the full utilisation of the material environment and the human technique of production in order to attain the fullest satisfaction of human needs. Socialism alone can secure that the proper proportions of the several productive resources shall be applied in the several industries. How far this is practicable without endowing some democratic class of officials with the delicate task of determining what quantities and kinds of final commodities shall be available for consumers, is a question which occupies the mind of intellectuals of the Left, but hardly the mind of the rank and file. It involves the question how far an effective price-system can be made compatible with socially ordered production.

In this brief presentation of the emergence of a proletarian attack upon the established traditional rights of property, we see a number of contributory causes at work, the disappearance of

customary acquiescence in class distinctions, the rising demand that political equalitarianism shall be applied in the economic sphere, a belief that productive power, if better used, is able to provide satisfaction for all common needs, the passage of most industries into large-scale mechanical processes under corporations where human contacts between owners and workers are excluded, and finally the establishment of financial controls for repressing business competition and limiting full productivity. Some of these factors are objective conditions of productive processes, others are changes of mental attitudes; but they conspire with an increasing measure of activity towards a new revolutionary attack on improvidence. The early beginnings of this attack took the innocent shape of a co-operative movement for reducing the profits of wholesale and retail traders, trade-union bargaining for higher wages and improved conditions of labour, public provisions through social services for the health, education and security of working families, the municipalisation of certain local industries and the national ownership and control of a few essential monopolies.

# OF PROPERTY

## POVERTY IN PLENTY

There is yet no reason to impute to the ordinary worker who takes part in these economic and political activities any clear revolutionary intention such as is implied in the expression "attack on property." He is concerned with getting for himself a somewhat higher standard of living, more leisure and the activities and amenities that proceed from social services and other public expenditure. Indeed, he becomes to an increasing extent a small owner of property representing his personal savings, mainly applied to housing and other personal needs, but involving some investment in productive capital. Though he may be slightly affected by the socialist, communist or fascist propaganda which goes on around him, the ordinary English worker always wears a protective cloak of suspicion against open attempts to put "isms" of any kind over him. It would be wrong, however, to ignore the rapid educative effect produced in the proletariat of most countries by the revelation of the waste of productive power in the recent years of world-wide

unemployment. “Poverty amid plenty” is the most important economic discovery of our time. The explanations of this paradox given by economists and politicians are numerous. But three of them stand out conspicuous.

There is first the “liberal” explanation which traces the trouble to the aspects of post-war nationalism contained in tariffs, embargoes, subsidies and migration vetoes. If all nations were free to sell and buy abroad the goods they cannot sell and buy at home, and to plant out in other countries their excessive populations, there would be no such surpluses of unsaleable goods and idle workers as are visible to-day. This explanation, of course, begs a question to which we must return later—the question whether these impediments to free trade and migration are causes rather than effects of “plenty,” and whether they can be disposed of by a remedy which would enlarge that “plenty” by enabling the capital and labour of the world as a whole to function more productively.

The second explanation traces the trouble to monetary defects and disturbances and the

## OF PROPERTY

psychological factor of lack of confidence that flows therefrom. The departures from the gold standard and the free movements of gold which kept price-changes within reasonable bounds before the war, the diverse effects of inflation and deflation practised by various countries to meet their internal emergencies, the part played by war debts, internal and external, in stimulating these changes, have made all business calculations of future prices and values so hazardous as to cause serious contractions of productive enterprise in all trades, the price of whose goods was dependent on future sales of final commodities of which they were contributory costs. All business men have been compelled to give anxious attention to monetary movements in their markets over which they can exercise little, if any, control. The lack of confidence thus brought about has undoubtedly figured prominently as an immediate cause of the shrinkage of production and employment throughout the industrial world.

The third explanation put forward by some economists fastens upon the higher wages, shorter

hours, pensions, and large expenditure on social services which has taken place during the war and post-war period in some industrial countries, as an excessive encroachment upon the profits necessary to support productive activity. Sometimes this argument is applied to explain why a country loaded with these higher costs of labour, direct and indirect, cannot successfully compete in the world market with other countries, such as Japan, where the operations of modern productive capital and technique are not hampered by such high labour-costs. Sometimes, however, the argument is more extensively applied to explain how in every country industry and commerce are damaged by the new demands of organised labour enforced by a more widespread recourse to the strike weapon.

Now these three explanations of one common trouble are interesting examples of the art of evasion, a refusal to face and to acknowledge the fundamental fact, viz. the existence of a material environment and a human technique of production capable of turning out larger quantities of goods at a faster rate than can be marketed and

## OF PROPERTY

consumed. This is not a novel situation. The older trade-cycles of last century bore strong testimony to the nature of this economic malady. For only in a small part of each cycle were the factors of production throughout the industrial system kept working at full productivity. But these earlier trade depressions and unemployment were not general in their application and simultaneous in the different countries. Moreover, it was often possible to adduce some plausible explanation—military, political, financial—applicable to the particular situation: a banking collapse, a new gold discovery, a war, a famine, a revolution, which initiated the disturbance of the sensitive mechanism of trade and finance. In these pre-war cycles there were usually some countries and some industries which escaped the force of the depression. Among economists there was, in fact, no accepted theory of the cycle with its boom and its depression. Now the recent depression included in its ambit all countries and all except State-subsidised trades. For the first time agriculture even in the more backward countries figured prominently among the depressed

industries. In each country land which a few years ago was cultivated for the production and profitable sale of foods and raw materials passed out of cultivation or, if still cultivated, had no sufficient sale for its products. The actual destruction of large quantities of excessive foods and raw materials and the monetary subsidies to farmers to limit their production were tragic testimony to this world-wide malady. The first idle pretence that the superfluity was due to miscalculation, too much land applied to this, too little to that particular use, has long been abandoned. For though the excess has been greater in some countries and in some branches of agriculture than in others, for the first time in human history the general excess of foods and raw materials over the demand of consumers has been made manifest. By common admission this state of things arose from the rapid application in many countries of mechanical and biological science to the technique of agriculture. While there still exist large agricultural areas which science has left almost untouched, and where primitive conditions still prevail, these areas lie

## OF PROPERTY

almost entirely outside the world markets, their products being consumed by their producers.

It is hardly necessary to dwell upon the rapid advances which new scientific discoveries and inventions have made in the manufacturing and mining industries and in the carriage of goods. Large standardised operations more and more prevail for the production and distribution of goods and services to supply the common needs of man. This, of course, signifies that a given quantity of human productive effort, utilising the new mechanical devices, can turn out a continually increasing quantity of goods. Now the problem which confronts us is the inability of this actual or potential increase to get sold at a price which will cover costs of production, including that minimum profit necessary under existing conditions to enable capital to function in production. There have always been short periods in the cycle when the lower grades of machinery, tools, labour, land, lay temporarily idle, though nobody plainly faced the question, "Why, if they were good enough a year ago, are they not good enough now ? "

## RIGHTS AND WRONGS

### WHY DOES ABUNDANCE BRING DEPRESSION?

We are now living at a time when the pace of introducing improved technique and the size of these improvements seem to give a permanent knock-out to machinery and labour which functioned effectively a few years ago. Add to this that the amalgamation or cartelisation of hitherto competing business produces new economies of production, or else calculated restrictions of output for the sake of enlarged profits. But such considerations go no distance towards the solution, or even the understanding of our problem. That problem may be stated thus. Since the population of the world continues to grow and the needs of man in material goods and in leisure are illimitable, why is it that the enlarged productivity cannot be utilised in the raised standard of comfort of all the populations and in increased leisure for their non-economic ends? Everything that can be produced under the present or any future economic system passes, as it is produced, into the ownership of somebody—worker,

## OF PROPERTY

capitalist, employer, landlord—who is able either to consume it himself or to sell it to some other who will consume it. Allowing for miscalculations, why should there occur such general excesses of products and producing power as are to-day apparent? It is no use saying there is not enough money to demand effectively all that is or can be produced. The income paid out as wages, interest, profit, rent to the owners of the factors of production should be enough to enable them to buy all the goods they have assisted to produce, if they apply that income without undue delay in effective demand. Here we enter into the core of the problem of "improperty." Where property is acquired by labour, involving personal cost, it is naturally and proportionately related to some personal utility of consumption. If all property and all purchasing power were apportioned in accordance with this natural law, no disequilibrium could arise between the rate of production and the rate of consumption. Such excess of productive power as is exhibited in modern periods of depression could not arise. Such saving on increased capital production as

took place would justify itself economically by the enlarged consumption it would stimulate. The savings of the workers, whether wage-earners or independent craftsmen, are justified alike in origin and use. Such savings, whether directly utilised by the saver, or invested, must rank as legitimate property, bringing to its maker-owner a real interest which is earned by the personal sacrifice it has involved, and which is expended upon the maintenance of a serviceable standard of living. Alike in origin and in utility, they rank as property. But the case of the savings and investments of the rich is quite different. Most of these savings are drawn from "improperty" already in existence in the shape of rents, profits, monopoly fees, etc. As they involve no labour in their origin and no appreciable sacrifice, they have no corresponding needs or utilities of consumption attached to them. Such surplus income is not even applied to raise the standard of luxurious living. We hear much, indeed, of the extravagant expenditure of the rich on luxuries. But depressions show that this extravagance is not carried far enough. When

## OF PROPERTY

a standard of consumption has reached a fairly high level, a law of diminishing returns begins to operate. Further expenditure does not bring any appreciable increase of pleasure or satisfaction. Boredom sets in, and an almost automatic refusal to spend becomes operative. The statistics which relate saving to size of incomes are convincing evidence of the fact that the aggregate of savings depends upon the distribution of the total income, and that the proportion of savings rises with the size of incomes.<sup>1</sup> If, then, we admit that large incomes contain large amounts of "improperty," we shall recognise such improperty as a natural source of over-saving.

<sup>1</sup> The following computation of the proportion of saving to spending in different Income Groups in the United States for the last prosperity year, 1929, was published in the *Business Week*. I quote it from Stuart Chase's *The Economy of Abundance*, p. 143:

### DISTRIBUTION BY INCOME GROUPS, 1929

Income group	Spent for goods and services (in millions of \$)		Savings \$
		\$	
Over \$1,000,000	..	87	1,045
\$50,000 to \$1,000,000	..	2,494	2,695
\$5,000 to \$50,000	..	12,145	3,236
\$2,000 to \$5,000	..	21,209	3,276
Under \$2,000	..	53,139	2,291
Institutions	..	1,799	—
 Total	..	 \$90,873	 \$12,543

But here we encounter the full force of the refusal alike of economists and of ordinary persons to believe that over-saving is possible. No individual, it is held, can over-save in the sense that his savings cannot find a useful outlet in investment for productive use. How, then, can it be maintained that a nation, or society at large, which consists of individual savers, can over-save? But because *any* man may usefully save as much as he likes of his income, it by no means follows that *every* man can do so. There must be, at any given time, and having regard to the technique of capitalist production, some limit to the amount of new capital needed to raise the actual level of future consumption. For we have just seen that though the income distributed throughout the community will be sufficient to buy all the consumption goods that could be produced, it will not be sufficiently applied to such purchase if an excessive amount of it lies in the hands of men who are "glutted" into comforts and luxuries and therefore let it flow into savings, irrespective of the rate of payment for such savings or the possibility of their useful

## OF PROPERTY

employment. In other words, "improperty" first produces an excess of capital goods and then a stagnation of investment accompanied by unemployment of existing plant and labour. If industry as a whole were functioning healthily, the relation between spending and saving would be such as would enable the latter process to make an adequate provision, and no more, for the purchase of the new capital brought into existence in the expectation that it could be applied without delay for contributing to an increasing production of consumption goods which would be bought and consumed.

It is here, however, desirable to admit that the considerable lapse of time between some of the early processes of production of capital goods and the production of the consumable goods to which they contribute introduces a complication into the monetary aspect of the problem. Our earlier statement that the money income paid out to the owners of the factors of production in the several processes that enter into the final consumption or the new capital goods must be available and sufficient to buy all those goods at

prices which will stimulate production to replace them in the economic system, is not strictly accurate. For it is evident that the only income available for buying new consumption and new capital goods is the income recently paid out to workers, capitalists, employers, landowners, for productive processes just completed. The income paid to the performers in the early processes which went into the production of the goods now figuring in the markets has been expended long ago upon consumption or capital goods, and is not now available. What is available as purchasing power is the money recently paid to retailers for consumption goods, and the money recently paid to manufacturers, mine-owners, merchants, farmers, etc., for new supplies of capital goods. These money incomes should in normal times and stable prices be equal to the sums paid out at different times to the persons who actually shared in the different processes of producing the goods now available in their finished form for purchase by consumers or investors. But they are not the identical sums of money which went into the payments for the

## OF PROPERTY

earlier productive processes of the goods now purchasable. In other words, there is no absolute adjustment between the money available for purchase and the processes involved in production. Some recent stoppage or unemployment in earlier processes of production may have led to reduction in current income of workers, employers, and capitalists in those processes. Some new improvement in technique may have reduced the labour cost and wage rates in some of these processes, either reducing the prices of the products or distributing the same prices more favourably to capital-owners. In any progressive economic system, with a growing population, or a rising standard of comfort, the provision of the increased productive power thus required will lead to miscalculations which, when discovered, through rise or fall of price, will cause temporary dislocations and wastes reflected in reductions of income or purchasing power. But these considerations do not justify the belief, adopted by Douglasites and others, that there must be a normal deficiency of purchasing power, and that this deficiency is the sole sufficient cause of

depression and unemployment. In an economic system, where some time elapses between some early processes, e.g. railway making, mining, and the production and sale of the final goods into the cost of which the costs of these early processes enter, some margin of error and miscalculation must occur. Where such error occurs, a result may be a stoppage both of industry and of the credit normally employed for wages and other running expenses. But to raise this normal incident into an explanation of general cyclical depressions is a quite unwarranted proceeding.

It is sometimes stated that it is unnecessary to raise this time difficulty, because the money just paid by retailers for the replenishment and any increase of their stocks of consumables and the money just paid by wholesale holders of capital goods for similar purposes are now available and adequate for the purchase of both supplies. But this is not the case. The money paid by retailers for their new stocks will pass to wholesalers and manufacturers who, doubtless, in the next move pass most of it to worker-consumers and the rest to worker-producers of capital goods. But it

## OF PROPERTY

cannot be treated as immediately available for the purchase of the new stocks.

There is, however, no insufficiency of purchasing power unless the owners of this power deliberately withhold its application, or the banks deliberately withhold their credits, and in either case some other cause must be adduced to explain this deficiency, not in the quantity of money, but in its use for purchase.

## SPENDING AND SAVING

In a properly organised economic system there would always be a quantity of purchasing power, emerging from recent income paid to owners of productive factors, correspondent to the output of final consumable and capital goods. This income would be spent or invested without undue delay. If prices fall, owing to improved technique and organisation, or the development of new rich natural resources, the available purchasing power of income would buy more goods. When this does not occur, some other explanation than the lack of money must be found.

Such explanation, it is here argued, is seen in the chronic endeavour to purchase new capital goods at a faster rate than the economic system can assimilate them. It is, of course, true that, in the beginning of a depression, the actual over-production of consumption goods suggests a lack of money in the hands of would-be purchasers. But that lack registers the second stage in a maldistribution of money income. The first stage consists in the excessive payment of income to the productive factors in the industries making capital goods (plant or raw materials or other non-consumable goods). So long as this process continues, the portion of the savings expended in these industries which goes to labour or to other productive agents is available for the purchase of consumption goods and no unemployment is created. This is the element of truth in the commonly accepted doctrine that saving employs as much labour as spending. So it does, as long as it is invested without delay in<sup>3</sup> payment for the production of capital goods. But as soon as it is discovered that the increased fabric of capital exceeds the size required and used to produce

## OF PROPERTY

consumption goods at the rate they are being purchased by consumers, there is a necessary check upon the further creation of capital by investment of new savings, and these savings, so far as they continue to be made, lie uninvested. Then the depression, with accompanying unemployment, actually begins. As it proceeds, the diminished market for new capital goods and for consumption goods reduces the amount of profits, interest, rent, and other income of the well-to-do which normally supply the bulk of the savings.<sup>1</sup> During this period of bad trade, the rate of savings falls below the level needed in

<sup>1</sup> That men with higher incomes save a larger proportion of their incomes than men with lower incomes is generally admitted by economists. But many of the latter are still inclined to hold that this implies no excess of savings but is the condition of industrial progress. This is a short-sighted view, which only takes account of the early results of such saving. Professor M. J. Bonn, in his *The Crisis of Capitalism in America*, thus describes the course of events there in the period 1922-1929: "America behaved in much the same way as did German industry when it borrowed so heavily. Both saw only one-half of a period of time: the half during which, with the aid of credits, one creates new plants and furnishes work, pays wages, reaps profits and gives a new impetus to production. Meanwhile, they completely forgot the second half of the period, during which the new factories ought to be producing, but owing to restricted market potentialities, are unable to do so to the full extent."

Many English economists accept for this country this analysis of Professor Bonn, but are reluctant to trace back the causality of the process to maldistribution of the general income.

## RIGHTS AND WRONGS

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normal times for the supply of new capital.<sup>1</sup> There is, in other words, a spell of under-saving which even goes so far as to let down the capital fabric in many staple industries to a point which endangers the production of the necessities of life for large sections of the population. This situation, however, is not always apparent in its true character. For even in the worst times there will be some thriving trades supplying new urgent or attractive wants, and some savings will continue to feed bank deposits. But it is important to distinguish the several stages of the cycle;

<sup>1</sup> Mr. Stuart Chase quotes from an article in the *Business Week* the following statistical record, illustrating the course of saving in America for the period 1909-1932 :

### BILLIONS OF DOLLARS

<i>Year</i>	<i>Gross savings</i>	<i>Total Capital outlays*</i>	<i>Additions to plant</i>	<i>Corporate net profits</i>
1909	4.5	5.0	4.2	2.9
1912	6.3	6.3	5.4	3.5
1915	7.5	6.7	5.8	4.3
1918	11.4	14.9	12.0	6.6
1920	16.4	19.4	12.4	5.9
1922	15.4	15.0	12.2	4.8
1924	17.9	16.0	13.0	5.4
1926	19.0	18.8	14.7	7.5
1928	21.6	21.0	15.3	8.8
1929	24.8	19.2	15.3	10.8
1930	13.7	9.9	8.2	1.4
1931	6.7	2.1	5.9	-1.7
1932	7.1	-3.3	3.3	-6.6

\* Capital outlays include additions to working capital and foreign loans as well as additions to plant.

## OF PROPERTY

first, the diversion of an excessive proportion of income into the creation of new capital; second, the discovery of this excess as registered in unsold stocks of consumption and capital goods; third, the shrinkage of incomes, both of workers and of capitalists; fourth, the reduction in the rate of saving and the letting down of existing plant; fifth, the beginning of what may be called a natural recovery. This last process does not, however, indicate that the disease has been diagnosed correctly and healed. For the recovery can only be temporary, as indeed the statistics of the trade cycle indicate. A normal condition of good trade produces a boom, a boom produces a depression, a depression passes into a recovery. But this process taken as a whole measures an appalling quantity of waste, unemployment, anxiety and misery, for all concerned. There seems no reason why the period here termed good trade in which there is full employment for all labour and capital should not be stabilised if the attempted excess of saving for investment could be prevented.

If a conscious planning of industry as a whole

## RIGHTS AND WRONGS

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were practicable, it is evident that one of its central principles would be that of maintaining a right relation between the productive power applied to the creation of capital goods and to the creation of consumption goods, and that this right relation would signify that all new capital would be applied to produce more consumption goods which would be consumed.

It is not, of course, suggested that this right adjustment of saving to spending is a stable equilibrium. Economic progress upon modern lines implies a growing large-scale standardisation of those industries which supply the common needs of the consuming public and the common needs of mechanised industries themselves. With every growth of population and every improvement of scientific technique, it seems likely that the amount of saving, and possibly the proportion of saving to spending, would be increased. Against this, however, must be set the increased amount and proportion of spending which, after the due satisfaction of common material needs, will go into demand for such distinctively personal requirements of goods and services as are in their

## OF PROPERTY

nature less amenable to standardised production, and, therefore, make a smaller call upon saving and new capital. Moreover, as common wants are adequately met, changes in taste and fashion will play a larger part in production and will call for more human skill than capital. The proportion of income rightly saved will thus be a fluctuating quantity. But this does not signify that at any given time there does not exist a right proportion of saving to spending.

### HOW IMPROPERTY UPSETS THE EQUILIBRIUM

If there exists any normal tendency to upset this right proportion we are confronted with a danger of the first magnitude. Now our contention is that the distribution of income along lines which place in the hands of a small owning class large quantities of unearned income in the shape of rents, high profits and other excessive gains from ownership of some means of production, is a lasting cause of this maladjustment. Depression is a result of "improperty." That an enormous waste of actual and potential productive power

takes place is generally admitted. But economists and business men persist in attributing it to miscalculations, and to political and monetary disturbances of a passing kind, still holding to the orthodox belief that economic laws will restore the balance, if they are allowed to operate. This faith enables them to turn a blind eye to the charges brought by assailants of capitalism and of the current distribution of wealth. The more liberal minded among them admit that for the efficient working of economic laws equality of economic opportunities is desirable. But how far are they willing to go in order to achieve this desirable condition ?

Equal access to the physical environment, to capital, technical, commercial and professional knowledge, and to free co-operation with fellow workers, mobility and provision of markets—such are the chief requisites of equal opportunity. None of these exists. Land with its fertility, its mineral resources, its advantages of climate and situation, is everywhere in private ownership, yielding unearned incomes to its owners. Private capital in the shape of plant, materials, power,

## OF PROPERTY

and credit, though nominally open to the acquisition of all saving persons, is concentrated in the hands of a small number of men who have either acquired it by the skilful or lucky use of special natural, social and educational opportunities, or have inherited it from others.<sup>1</sup> The small invested savings of the better-to-do workers is only a slight qualification of this monopoly of capital by the favoured few. So far as education affords openings to professional and other lucrative careers, though accessible to all the children of the owning classes, it is denied to all save a few gifted and energetic children of the workers. Social and cultural status everywhere plays a large part in distribution of opportunities for good posts and successful careers alike in the industrial, commercial, and professional callings. Though an increasing number of successful men and women have recently emerged from the proletariat, the waste of production, invention, initiation, skill, and enterprise, due to failure to detect, educate, and apply to their appropriate

<sup>1</sup> Statistics quoted in the Liberal Yellow Book, however, show that a few years ago nearly one quarter of the capital in Britain was under public ownership, management, or some control.

## RIGHTS AND WRONGS

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work the natural talents of the children of the poor, must be enormous. The bare citation of such facts indicates how serious must be the steps required to secure a genuine equality of economic opportunity. They would certainly involve an attack upon the present system of exclusive rights of property almost as revolutionary as the wholesale schemes of socialism and communism.<sup>1</sup>

It is, indeed, an interesting commentary upon the economic theorists and the political reformers who have devoted so much energy to establish the doctrine and practice of free competition in industry and commerce both within the boundary of each country and in foreign trade that they should have ignored so completely the basic requirements of equal economic opportunity.

<sup>1</sup> I am not sure how far Mr. Keynes, in his "Concluding Notes" to his *General Theory of Employment*, fully realises the amount of interference which society would have to make with private initiative and enterprise in order to attain his desideratum of an individualism "purged of its defects and its abuses." The "somewhat comprehensive socialisation of investment" which he contemplates would hardly by itself be "the only means of securing an approximation to full employment"—unless it were accompanied by other policies securing a right proportion between investment and consumption. This he appears to admit in his statement: "If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary" (p. 378). But the question remains open whether this delicate task can be performed, so long as "the ownership of the instruments of production" remain in private hands.

## OF PROPERTY

Most of those who plead to-day for the removal of national barriers to free trade and migration assume that such action would set the world on the road to full recovery and would cause within each country the full productivity of which its natural and human resources are capable.

Why do they take this view? Chiefly from an instinctive avoidance of the deeper and more revolutionary issues that must arise if they sought to apply the equalitarian theory to the internal economic life of their country. When Henry George launched upon the world his attack upon private ownership of land, a considerable body of free traders were drawn beyond the timid land reforms of Cobden into a demand for equal access to the land, or alternatively to a taxation which should distribute equally the scarcity values from land. But though "the single tax" continued to furnish for stubborn groups of individualists a half-way refuge from socialism, the merging of land values into capital has made their efforts at the political application of their doctrine impracticable. Where capital is concerned the economic defenders of the existing system have varied their

## RIGHTS AND WRONGS

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tactics, sometimes asserting that it is open to all, except the very poor, to save and so acquire a stake in capital, sometimes that the effective use of capital demands that its control be vested in the hands of the competent few, that the reward of saving in the shape of interest tends to be reduced towards zero, and that profit-making on a large scale is confined to speculative industries involving high risks. The validity of these arguments will be considered later. At present it is enough to cite them as belonging to the policy of avoidance practised by those who refuse to face the critical issues of capitalism as affecting distribution of property.

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## CHAPTER II

### THE ATTACK ON IMPROPERTY

#### EQUALITY OF OPPORTUNITY

IN ORDER TO GET a reasonable view of the rights and wrongs of property it may be well once more to revert to its origins. In what ways and for what purposes is property acquired? The two conditions that conjointly cause parts of the material environment to qualify for property are scarcity and utility. Though air, water and the natural fruits of the earth are prime utilities, they can only figure as property when they are "good air," accessible water, and "choice" fruit. Thus nature may be said to be the first maker of property in its supply of goods that are limited in kind or quality for human use. Men put in possession of such advantageous goods claim a "right" to them based on little else than the act of appropriation which any other animal may

## THE ATTACK

claim for the food it seizes. They can hardly be said to produce such property by "mixing their labour" with it. A happy chance has put them in possession. They have simply seized a natural opportunity.

This is by no means an irrelevancy in discussing the right of property. For seizing opportunities afforded by nature easily passes into other forms of seizure. Indeed, the seizure and holding of the property of another is, as we have seen, a process which takes various and intricate forms in a developed economic system. And when it is contended that only two distinguishable ways of acquiring property exist, viz. that of production by human labour and that of plunder, open or concealed, the issue is ingenuously simplified. The rule that a man has a right to a piece of goods he has made himself, and no right to any other goods, does not carry us far in the modern world. For no man can produce any form of goods without the co-operation of others, either working with him on the given material, or putting their work into the creation or the subsequent processes needed to make the product of his labour into a

## ON IMPROPERTY

marketable product. Even the peasant growing food for his own consumption uses tools and knowledge that are social products, and, if he produces for a market, the "property" which comes to him through the price he gets is largely the creation of other men and depends upon their co-operative labour. The amounts and kinds of scarce and useful goods which become the "property" of a worker thus depend upon quite other considerations than the labour put into his particular job.

Every piece of property, in other words, is socially produced. How then does this "socialism" differ from that which proletarian reformers demand? It differs in these ways. In the first place "social value" is assigned to products by the inter-play of individual self-interest, not by conscious social estimates. Now this method cannot be condemned as obviously inferior. For it may reasonably be urged that every man is a better judge of what he wants to get and what he wants to do than any official representing "society." He may make mistakes, both in choosing his work and choosing his consumption goods,

## THE ATTACK

but he will learn by his mistakes and so adjust himself to the needs of an efficient economic system. This is the argument for Adam Smith's "invisible hand," by which each man seeking his own advantage will be "led" to lines of action that serve the common wealth. Though directly selfish in its primary motive, this individualism will lead each man to friendly co-operation with fellow workers for all save the simplest kinds of work, and will engage him in the social atmosphere of the market where the common advantage of both parties to a deal feeds human sympathy.

If equality of opportunity to the use of land, capital, knowledge was really available for all, the case for what we may term "unconscious socialism" would be strong. For not even the most enthusiastic socialist really contemplates with favour that denial of free choice of a job which belongs to a closely planned system. The pretence that this full personal freedom can be maintained in such a system has neither theoretical nor practical support. In a fully planned system the individual will have to do not what he would like to do, but what the Plan

## ON IMPROPERTY

requires him to do. No doubt there will be some harmony between the two desires. For most men would prefer to do what they think they can do well, and on the whole it will pay society to let them do such jobs instead of coercing them into doing what they do not like. But it is quite evident that this harmony has its limits. Much routine necessary work is not agreeable to anybody and can only gain willing acceptance if it is laid down in short doses, which means a wasteful policy from the standpoint of production. For interesting and prestigious occupations, on the other hand, more applications may be expected than can be entertained, and those refused must apply themselves to work with less personal appeal but more social utility. Under such conditions it remains arguable that, given equality of opportunity in its fullest sense, unconscious socialism<sup>1</sup> might work best, each person making his own adjustment to the demands of the market.

But the attainment of this equality, as we have seen, would demand such radical changes in the

<sup>1</sup> This has sometimes been called "Consumer Socialism" on the ground that consumers' demand actually dominates and directs all production processes through the play of market prices.

## THE ATTACK

present ownership and control of property as could not easily, or possibly, be achieved within the ambit of any modern capitalist society without a revolution. The moral claim for equalitarian individualism is that it would give everybody "what he is worth," on a fair computation worked out in the play of demand and supply—that is to say, his payment for his productive service would be a true measure of the social worth of that service. This, it is often contended, would be an equitable system not only of production but of distribution. Here, however, we encounter a difficulty. Should income be distributed according to the amount and quality of work done, or according to willing effort, or according to the respective needs of members of society? The ideal distribution of a given quantity of wealth is "according to needs," i.e. according to the maximum human utility it can afford in its consumption. Strict communism lays down this rule. "From each according to his powers, to each according to his needs." But in human society, as we know it, how far can the two halves of this rule be harmonised? Will A

## ON IMPROPERTY

put out his full powers, if part of the extra product of his output goes to B or C, whose part in production is less than his? Will he not claim as his right the market value of his larger output?

### DOES ANY MAN *MAKE* HIS INCOME?

So far as ordinary physical work is concerned some degree of reconciliation may be found between powers and needs. Where food represents a replacement of expended energy and bodily wear and tear, a larger expenditure needs a fuller diet. When Sir Thomas Brassey began his construction of railways in India he discovered that the low diet of Hindoo workers was not sufficient to evoke their best powers, and he put them on a more expensive meat diet, such as British navvies required. The principle underlying this correspondence between productive power and consumption needs is, of course, widely recognised under the rule "Wage of efficiency." Sweating does not pay. As the Trade Boards Act has discovered, a wage rise with shorter hours may transform the technique of production in a

## THE ATTACK

sweated trade, compensating the higher cost of labour by enlarged output. But this economy of high wages does not go far towards equality or equity of distribution. It does not prevent the low costs of Indian, Chinese or even Japanese labour in factories and farms from outcompeting Western goods produced by higher-waged workers. While it may be true that intensive labour needs higher food-costs than light labour, so that certain work in engineering or in building operations requires higher pay than work in ordinary factories, shops and offices, this natural harmony of production and consumption has a very limited range of application. In all the higher grades of productive work, from the skilled artisan to the professional man, the manager, the inventor, the artist, there is no assignable relation between productivity and income. Each of these skilled manual or mental workers tends to regard the income earned by his labour as necessary to maintain his standard of living, and that standard as a fair equivalent of the services he renders. But as he knows no measure for these services other than the income he receives, the argument is purely

## ON IMPROPERTY

circular. He gets what he is worth, therefore he is worth what he gets. But it is needless to labour the fact that the distribution of the higher incomes bears no ascertainable relation to the skill or other quality of the services rendered. In the highest kinds of productivity, business, professional, scientific, artistic, it may well happen that the value of the specific service may baffle any measurable estimate. The man who discovers a new mechanical or biological process, a new remedy for disease, a new method of industrial organisation, writes a successful book or paints a famous picture, will take whatever payment comes to him. It may often be ludicrously low as compared with any reasonable estimate of the service he renders. It is precisely at this point that the proletarian reformer is liable to err. For no ordinary worker can realise that a single output of thinking or imaginative skill may, strictly speaking, be the productive equivalent of the year's work of a thousand routine workers. The inventor of a new machine may cut down the cost of products in a great industry by millions of pounds in a few years' working. To the trade

## THE ATTACK

unionist this productivity not merely fails to win recognition, it is apt to be treated as a sabotage of employment—as it well may be on a short-range estimate of its immediate effect on a particular class of worker. No blame, of course, attaches to this trade unionist, who is necessarily limited in his viewpoint by his personal interest. But it disables him from taking the wider view which our argument requires. This disability corresponds pretty closely with the accepted view of the successful business or professional man who genuinely believes that the high income his successful practice enables him to take is "made" by him in the sense of being a just measure of the services he renders. Writers to *The Times* upon the high rate of income-tax habitually stress this process as "confiscatory." Whatever income a man can obtain in accordance with the legal rules of the business or professional game is his rightful property. It is grudgingly admitted that the State may reasonably take some fraction of his income and (at death) of his property for purposes of internal and external defence, including such social expenditure as conserves the human

## ON IMPROPERTY

resources of the nation, but anything taken in excess of these needs is a predatory policy. That the State on behalf of the community has any claim to share the income and the property of its citizens, on the ground that public resources and public activities co-operate with private resources and activities in the making of such income and property, seldom enters into the mind of the well-to-do. Even when an increase in the value of their landed property is visibly due to the growth of industry and population on that land, or the local improvements made at public expense, the whole of such increased value in rents or sale-price appears to the owner his rightful property. Any increased value of any industrial or commercial undertaking, to which the shareholders or managers make some productive contribution, is regarded as entirely of their making, regardless of all needs and activities that raise demand prices and profits, or of such assistance as is rendered by tariffs and other expensive public policies. Whatever comes to a man from the favourable play of the market belongs to him by right, though the sources of this favourable play

## THE ATTACK

may lie wholly outside his control or his pre-  
vision. This claim is sometimes defended by the  
contention that the play of the market may be  
adverse to him, so that losses thus incurred may be  
taken to offset any gains. This view is sometimes  
enlarged into the consideration that all industry  
and commerce carry a large speculative element,  
that such risk-taking is an important contribution  
to economic progress, and that if on the whole it  
yields more gain than loss, this margin of gain  
really belongs to the risk-taker as a reasonable  
reward of his adventure. Many businesses fail  
and the capital and the business energy put into  
them are lost. These losses must be set against the  
gains which alone figure prominently in the public  
eye. Why A is entitled to set off the loss of B  
against his, A's, gain does not enter into A's  
consideration. Nor does the fact that the aggre-  
gate of gains in a progressive economy exceeds  
the aggregate of losses.

Still stronger is the assurance of successful  
professional men that the income and property  
that come to them in payment for their services  
are entirely the product of their own skill and

## ON IMPROPERTY

effort. Take the case of a leading lawyer whose reputation enables him to charge high fees for the cases he conducts, cases involving great monetary claims and the welfare of large business undertakings. Enormous importance may attach to the careful skill of his arguments in court or chambers. His reputation brings much business into his hands and demands much industry from his brain. If he draws £10,000 a year from his profession, he feels and believes that he earns it all, and so do others, not only members of his own profession but of the general public. The same evidently holds of a successful doctor or surgeon. It is an arduous career taxing his physical and mental powers to the utmost, and lasts just long enough to enable him to amass property that will keep him in comfort when his best powers are exhausted and he retires. His fees are large, but they only "represent" his skill and reputation.

This, I think, is the view of income and property taken not only by business and professional men at large, but by all sorts and conditions of men, including most members of the

## THE ATTACK

working-class who have not committed themselves to a socialist or communist creed.

Now this view has not only plausibility but a certain amount of substance. Socialists usually evade this substance, either by an excessive disparagement of the contribution rich men sometimes make to the acquisition of their riches, or by the assumption that, since labour, as they understand the term, makes all value, all incomes outside wages must be a surplus which by socialising industry the community could take for its own uses.

### USES OF PROPERTY

In relation to our central theme "property and improperty," the accepted socialist theory draws a sharp distinction between property for personal use, which it would secure for all by a fair payment of wages, and property in the means of production which it would socialise and subject to a planned economy. But when the various forms and uses of property are taken into consideration, it is evident that such a distinction needs much modification. Property for personal

## ON IMPROPERTY

use, consumption goods, sometimes merges into capital goods. The ownership of food, clothing, shelter is accepted as rightful personal property. But all these may be treated as means of production in so far as they enable their owner to continue producing. Nay, shelter as a house, if let in whole or part to another, may bring in an income which in the rigorous sense of the term is "unearned"—a consumption good becoming a capital good. Indeed, a socialism which regards all labour as productive, all capital as predatory, is confronted with the fact that even in the most capitalist community there are many workers using the tools which they themselves have made, or bought with their earnings. These tools are personal capital which no socialist would confiscate, and which continue to belong to the sphere of private enterprise. The spade with which the factory worker digs in his own garden in his leisure time is assuredly productive capital, earning something which may be called profit. If it be said that the gain which accrues from the use of the spade is inseparable from the labour of digging and simply renders

## THE ATTACK

such labour more productive, this can be said (and is said by Marx) to apply to all machinery and other technical equipment. It does not produce itself but only increases the productivity of labour. But such a contention leaves us in a morass of sophistry. A factor which makes another factor more productive must have productivity imputed to it. It is idle to pretend that a tool or a machine is not productive and therefore has no claim to a share of the increased productivity of labour it has brought about. One of the chief causes of the failure of socialist doctrine to make an entrance into many disinterested minds is its refusal to distinguish between the legitimate and the illegitimate payment for the use of capital, and between capital as a productive factor and the question of its ownership. To denounce all productivity of capital is to fly in the face of the common sense of man. It is one thing to urge that in a society where all the means of production were publicly owned no income may be paid in the form of interest, profit, rent; quite another to deny that capital and land are productive instruments.

## ON IMPROPERTY

The real issues, economic and moral, are two—one, that of distinguishing the necessary from the excessive payments for the use of capital, land, business ability under the capitalist system; the other, that of considering what monetary or other payments may be needed under socialism in order to evoke the best personal efficiency of all brain and muscle workers and to maintain a proper balance between the supplier of various commodities and of the new capital goods required for economic progress in meeting the growing needs of a growing population.

The first issue carries us right into our prime task, that of distinguishing property from impropriety. If all interest, profit, rent can be classed under the latter head, our problem is greatly simplified. The only incomes still open to doubt would be the high salaries of management and the larger incomes of successful professional men. There are those who would distinguish rent as consisting entirely of impropriety, and there is much economic authority supporting this view. For the “scarcity” which gives its price to land and other natural resources appears

## THE ATTACK

in the first instance to be entirely a natural phenomenon. But when we concern ourselves with modern supplies of land, we recognise that its value and price, looked at from the standpoint of supply and demand, is not so simple. The railroad which develops a backward country, making its land available for agriculture or for mining, certainly plays a part in the raising of its land value. So do the needs and activities of the population which settles on this newly developed land. Land formerly below "the margin of cultivation" by reason of its situation is made also to yield rent by the expenditure upon railroads and other developmental processes, involving the use of capital and labour. This value or rent must be regarded as in part the product of such capital and labour. If we disregard the labour, as paid for by the railroad makers, we are still left with the position that the rent of any piece of this land is a composite product of nature and man's capital and enterprise. The same applies to the growth of land values in any existing town or other area. Private business enterprise, involving a capital expenditure, is constantly

## ON IMPROPERTY

shifting the value of certain sites, generally raising it, while public expenditure on roads, lighting, open spaces and other amenities operates in the same direction. Nearly all industrial investments, regarded as capital outlay, carry considerable elements of land value. This is, of course, especially applicable to housing investments, which absorb so large a proportion of working-class savings. Not only is rent, as the price of natural scarcity, everywhere combined with the interest upon capital, but there is no reasonably accurate way of assigning the value belonging to the two co-operating sources respectively. For the old economic notion that rent can be measured from a no-rent margin only applies to cases of land with a single use. In most cases land has alternative uses and the worst land for, say, market gardening or building, has a positive rent determined directly by this alternative use. Without pursuing the matter further it must suffice to say that reformers who have sought to build a public policy upon "a single tax" are always thwarted by the discovery that almost all land is mixed with capital. The simple socialist

## THE ATTACK

may not, indeed, be disconcerted by this discovery, if he is determined to hold that all capital is in its origin the surplus value extorted from labour. But such simplicity will not stand outside the ambit of general propaganda. The working-class socialist will recognise that the savings he may make out of his wages "cost" him something in the sense of sacrifice of present satisfaction, and that as they pass by investment into the making or working of machinery in factory or mine they are productively employed. He will consider that these savings are his rightful property by reason of his personal contribution to their cost and their utility. What he recognises in his own case will he apply to capital in general? Probably not. Though there is a personal cost or sacrifice in the case of his savings, he finds none in the case of the savings of the rich. Their saving is an almost automatic process supervening after their high standard of comfort is fully provided. Much of this saving is not even formally provided out of their money incomes, but is forestalled by the process of building up company reserves, into which passes what might have been paid out as

## ON IMPROPERTY

higher dividends. It is natural that the working-class saver should not see the same right of property in these "costless" savings as in the savings of himself and his fellow workers, and should regard the main fabric of capital as costless and therefore predatory. Nor is it only the avowed socialist who reaches this conclusion. "Exploitation" is the term which Mr. Keynes applies to "the cumulative oppressive power of the capitalist." "Interest to-day rewards no genuine sacrifice, any more than does the rent of land. The owner of capital can obtain interest because capital is scarce, just as the owner of land can obtain rent because the land is scarce."<sup>1</sup> If, again, our study of capitalism goes deep enough to grasp the revelations of the methods employed by high finance for securing the control of industry and of getting huge profits by the restriction or sabotage of production, we shall easily accept the view that "the money power" is the directive rule of modern capitalism and draws the chief part of its unlawful gains. Recent evidences of the organised withholding of productive power

<sup>1</sup> *The General Theory of Employment*, p. 376.

## THE ATTACK

and the destruction of products may be taken, not merely as testimony to "the collapse of capitalism," but as an explanation of this collapse attributable to a financial rule which is the final stage in capitalism.

Moving along this road, our mind escapes much of the confusion attaching to the term "profit" in its relation to interest and reward of management. For the gain from the financial exploitation of business, though carrying elements which, if left in the hands of the shareholder, would rank as interest, will now pass under the more general caption "profit," and the activity of the financiers will be "profiteering."

## THE "COST" OF SAVING

But before we can accept the socialist theory that in dealing with modern capitalists all rent, interest and profit should rank as "improperly," it is well to take closer account of saving in a socialist or communist system. Every strictly planned system will decide how much of its current productive energy shall be applied to

## ON IMPROPERTY

producing supplies of consumption goods, how much to producing new capital goods, either for replacing those used up or for enlarging the supplies of plant, raw materials and power, so as to provide means for enlarged future consumption. Even a Crusoe economy must follow this plan, deciding how much time and strength he shall apply to satisfy his immediate needs, how much to breaking in more cultivable land or making a spade or other tool to facilitate his future work. It is the question how much present consumption or leisure he shall sacrifice in order to have more consumption or leisure in the future. Capital is not costless in this one-man economy. So, turning to a socialist or communist planned economy, we find the need of a similar adjustment between present and future enjoyment. How much labour shall be applied to producing immediately consumable goods, how much to the enlargement and improvement of the capital structure so as to improve the future supply of consumable goods ? Such is the problem that confronted the Soviet Government at the outset of its career, and still confronts it—the problem of a rational planning

## THE ATTACK

having due regard to the present and future requirements of an increasing population employing improved methods of production and evolving new tastes and needs. I am not here concerned to discuss the political and psychological difficulties of entrusting such a task to the composite and possibly inexpert mind of an economic bureaucracy, but merely to the disclosure of the fact that a "cost" or sacrifice must attach to the production of capital, though it does not emerge in any interest payment. The application of labour in such an economy to making more capital goods involves "saving" and "investment," though neither term is used in the account of the process, and the due balance between saving and spending, both as integral quantities and in their distribution among the various processes of production and consumption, still constitutes a chief problem of "economy." Saving in a socialist economy continues to be a "cost" or sacrifice ; it is, however, no longer an individual cost but a social cost, and the interest paid for individual saving is no longer payable. The same applies to rent. In theory it still exists

## ON IMPROPERTY

as a measure of "the niggardliness of nature." Even when public ownership is substituted for private, it remains important that the public shall apply each sort and position of its land to its most productive use, that productivity having a monetary value attached to it, corresponding to "rent" under private ownership. Socialist book-keeping cannot ignore but must take strict account of the differences of productivity in different kinds and quantities of capital and land. And must not the same book-keeping apply to labour from its lowest unskilled levels to its highest inventive and administrative levels?

### IS "SOCIAL SERVICE" AN ADEQUATE MOTIVE?

It is here that we approach the set of delicate psychological considerations that socialist theory so often evades by the assumption that in a socialist economy every individual will be disposed or compelled to put his best ability to the service of society. While compulsion could only be applied to evoke a qualifying minimum of the cruder sorts of labour, it is evident that the

## THE ATTACK

real issue turns upon the power of society to evoke and maintain in the skilled and able types of workers a social motive to production as strong as the motive of individual gain it has replaced. It may be true that the new social atmosphere will operate upon certain types of genius or talent, so as to make social service, fame and honour, motives as powerful as the desire for material gain in a capitalist society. For there are men whose need of self-expression in fine creative forms has always been the dominant motive, material gain being a by-product taken as a testimony to success rather than as an incentive. Alternatively, it may well be argued that much of the finest creative energy has been sapped and diverted into inferior channels by the gains attaching to popular success. In a socialist economy such sacrifices need not take place; society would keep genius and talent to its proper work. It could do so, if it knew what that work was, or could accept the self-recommendation of the creative mind in science, art, literature or government. This brings us up against what is for *laissez-faire*

## ON IMPROPERTY

minds a convincing refutation of the socialist economy, viz. the necessary failure of a bureaucracy to discover and utilise the highest individual qualities of its members. Even if for ordinary purposes such a society could be operated economically, it could only succeed by standardising the work and lives of its citizens and weakening the springs of material and mental progress. Social as well as personal progress requires that "each man be free to choose his own work and to take its market value for his own income." Now we have already admitted that some freedom of choice should be left to individuals, on the ground that they will do best the work they like to do. But this free choice cannot be unlimited, for it might yield a plethora of inferior artists or musicians and a deficiency of miners or navvies. How is a socialist economy going to deal with this grave situation? It can only do so by such a retention of the price system as would starve out the incompetent aspirants to artistic and other high careers. Moreover, so subtle is the play of human motives that we cannot assume that society can get the largest

## THE ATTACK

amount of the best work even out of artistic and literary genius through the satisfaction of the creative impulse without some appeal to the acquisitive instinct. But it need not pursue the wasteful economy of offering such high pecuniary rewards to the competent artists, musicians, actors, novelists as are likely to dope them with luxury and lure them away from their best work in search of profitable popularity. The choice of work, on the one hand, and the income from it, on the other, would continue to lie at least as much as now in the hands of individual producers and consumers. But the equalitarian character of a socialist community would furnish natural and socially serviceable limits to this freedom of choice. On both sides there would be a net gain of liberty, more workers doing the work for which they feel themselves competent and which interests them, more consumers getting for their expenditure the kinds of goods and services they want.

Keeping our eyes upon the distinction between property and improperty, we come to recognise that certain prices paid for high qualities of

## ON IMPROPERTY

creative skill may contain payments that imply a satisfaction of the predatory instinct which, as we have learnt from anthropology, has carried from the earliest times an element of personal glory. Still more clearly does this character stand out in the incomes taken by high technical and administrative workers in the business world. Under modern capitalism a larger and larger proportion of property and income comes to be vested in such hands. It is not the passive owner of land and capital, the rentier, who orders modern industry and takes its growing gains, but the administrator and the financier, the recent drift being towards the financier so far as he is separable from the administrator and manager, for the distinctive qualities of modern capitalism lie in the application of specialised technique to large-scale production and in the management of expanding world-markets—tasks which skilled financiers alone can profitably undertake.

Now it is evidently here that we must find the largest emergence of impropriety, payments that are unnecessary or excessive, regarded from the

## THE ATTACK

standpoint of social utility. Though, as we have recognised, certain acts of judgment achieving improvements of technique and administration which are immensely productive in their results upon the output are performed by talented business men, the gains they make for themselves out of such activities have in general no relation to the costs or efforts they incur. Some substantial rewards are doubtless necessary as "prizes" to evoke this type of productive skill and effort, and even under socialised industries it may be desirable to retain such rewards for industrial improvements. But the large fortunes made by business men with "an eye for the market," or by financial groups in control of the stocks and shares of large concerns, are forms of "impropriety" with little if any utility attached to them. Indeed, many of those profitable activities carry heavy damages to the producer and the consumer. When the business or financial controllers of big concerns get together, eliminate all competition in their industry and organise it as a trust or cartel, closing down redundant plant and regulating output so as to make high

## ON IMPROPERTY

profit on a restricted sale, the direct results are injurious to the volume of employment and to the prices which consumers, or producers in dependent trades, are called upon to pay. Wasteful as “ free competition ” may have been in employing excessive quantities of low-grade plant and labour, the waste of monopolies is greater. The formation of such monopolies is commonly achieved by financiers who make two sorts of gain. The first comes from the capitalisation of the trust or combine on a basis which exploits in their favour the estimated future profits from the economic management and the regulated output. Veblen gives the following account of this financial procedure in the United States : “ In its beginnings, in the nineties, this enterprise in mergers and recapitalisation was primarily concerned with bringing certain elderly units of the industrial business community to terms, by a persuasive use of financial pressure ; to prevail on them to surrender their several corporate powers and enter into some arrangement in the way of a merger, commonly under the form of a holding-company. By this means those concerns

## THE ATTACK

ceased to govern their own affairs individually, were drawn in under a centralised management and so ceased to be effectual competitors in the market.” “The direct inducement to the captains of finance who managed such operations was in the form of a ‘bonus.’” “The bonus commonly took the form of a block of securities issued in the name of the new incorporation. And it was commonly quite a substantial bonus, so as to take up a very appreciable percentage of the new capitalisation.” “In the early stage of this procedure it was not contemplated that the banking-financiers who brought into being these incorporations should take over their management.” “But the transactions which they entered into in their pursuit of the bonus entailed commitments and obligations which stood over after the initial transactions had been concluded. The recapitalisation and its endorsement at the hands of the financier, or investment banker, together with the practice of taking over his bonus in the form of a block of securities issued by the new incorporations, entailed a continued community of interest

## ON IMPROPERTY

between the investment banker and the new incorporations which he had created.” “The outcome has been that the banking-houses which have engaged in this enterprise have come in for an effectual controlling interest in the corporations whose financial affairs they administer.”<sup>1</sup>

The financial control thus acquired can be utilised in various ways, the most important of which consists in its regulation of output and prices along lines already described. But a single act of reorganisation is not enough. A repetition of the act may be used to place new pecuniary assets in the financier’s hand. “The outcome of successive reorganisations has accordingly been a series of successive recapitalisations at a successively higher figure, resulting in a progressively increased volume of outstanding credit instruments and involving a corresponding progressive revaluation of the underlying assets at a progressively enhanced figure.”<sup>2</sup> Though the American collapse in 1930 must have brought a temporary halt to this financial procedure, there is no ground to believe that with returning prosperity it will

<sup>1</sup> *Absentee Ownership*, pp. 342-3.

<sup>2</sup> *op. cit.*, p. 345.

## THE ATTACK

not be resumed. For it signifies a new phase in capitalism, due to the part which large credit operations can profitably play in industries which are passing outside the ambit of free competitive enterprise. A larger and larger share of the gains from modern industry thus tends to pass into the hands of money-managers who perform no useful productive services but actually "crab" production. Though European capitalism has not entered this new phase so rapidly as American capitalism, in Germany the control by finance over business, big and small, is definitely tighter than before the war. In view of the trend of economic nationalism and its movement towards industrial amalgamation in leading British manufactures, it is certain that financial pressures of banks and investment financiers must, here also, play an increasing part and receive an increasing share of the real and monetary income of capitalism. Economists will doubtless argue that the financial operations above described are necessary under the present system to effect certain improvements in business organisation that are conducive to economies of production and of

## ON IMPROPERTY

marketing. But even granted that this be so, the failure to utilise these economies for the enlargement of output and the reduction of prices to consumers is an economic damage which more than offsets any such improvements in organisation. The large gains taken by financiers in this process, when translated into real income, signify payment for negative services, otherwise designated "sabotage." Capitalism in its latest phase shows a larger and larger proportion of unearned income taking this form of "improperty." A good deal of the bewilderment among socialists and other working-class reformers arises from failure to understand the intricacy of this predatory technique. In America active resentment against "the money power," associated in its wider operations with Wall Street but narrowing down to the "squeeze" of the local banker and moneylender in the little country towns, has long played a puzzling part in political agitation—puzzling, because no clear comprehension of this money-power exists, and no one has any remedy for its abuses that seems to fall within the scope of practical politics in America.

## THE ATTACK

Though the rule of the financier over the business processes has not advanced so far in most European countries, recent developments in Germany, France and Italy, and to a less extent in England, show an ever larger proportion of industry passing under a permanent control of the banks, whose credit they need, not merely for temporary emergencies, but for the formation and working of the amalgamations and cartels which in one form or another are replacing the former competitive units. The comparative prosperity and profits of banking in periods of general industrial and commercial depression is a convincing testimony to the fact that the controllers of finance are taking a larger share of the income of the community.

Without necessarily endorsing Veblen's view of these pecuniary processes as mere sabotage two conclusions may be drawn: one, that the lack of effective competition among financial groups handling business signifies excessive payment for such useful work as they perform in the more efficient organisation of an industry; secondly, that under any unitary scheme of socialism this

## ON IMPROPERTY

work should be done without cost as part of the routine of planning.

### TOWARDS EQUALITY OF INCOMES

Our analysis thus far discloses a distinction between property and impropperty based on an examination of what is necessary to induce the owners of the various sorts of land, labour and capital to apply these factors promptly and efficiently to the production of wealth. We have seen that the surplus of unearned income which the simpler socialism regarded as obtained by the employer by plundering the employee is rightly regarded as a social surplus to which all factors contribute and which can be measured as the excess over and above the payments sufficient to get the best use of natural resources, savings and labour of mind and body, inclusive of the higher forms of mental ability in creative administrative and technical activities.

It is, however, worth while to consider separately the question how far it would be necessary for a socialist society to make payments out of their surplus to get the best work out of those

## THE ATTACK

Now if this gain can be increased by more labour-saving devices and a shorter working-day, the human cost of labour can be sensibly reduced. This should mean a tendency towards equalisation of the payments required to evoke and maintain the different sorts of labour throughout the economic system. So far as hard and narrow drudgery is still needed for some necessary productive processes, its payment will take shape partly in larger leisure, but there will be a general tendency for the wage-level in such occupations to rise in a community where equality of access to all other occupations is achieved. On the other hand, the high incomes earned by skilled work in the professions and the arts will be reduced by the increased numbers seeking entrance into these more interesting and prestigious occupations. There will, however, still remain the possibility for persons of outstanding merit or reputation in those skilled callings, to extort high rents for the work they do as operative surgeons or counsel, as painters or singers, or in other activities where scarcity of value can be asserted in pecuniary claims. The belief that such

## ON IMPROPERTY

pecuniary claims will disappear in a socialised state because the labour on which they are based becomes a labour of devoted service to the community, and that the public recognition of such service can wholly displace the gainful motive, may not attain complete fulfilment. For so long as money carries power of personal enjoyment and display, it is likely that men of talent or of genius will often continue to demand their personal "rent of ability," and if it were denied them will refuse to give their full productive service. Moreover, it must not be forgotten that behind most performances of high and interesting artistic or professional skill there lies a background of strenuous and sometimes tedious preparation.

So far as it is necessary to pay such rents of ability in order to obtain the best services, they must continue to rank as costs. Whether they fall under the term "improperly" depends upon the question whether we count human motives as they are or as they ought to be in a fully developed commonwealth in which every man thinks and feels he ought to put his best

## THE ATTACK

abilities at the service of the community. Recent experience in Russia appears to show the desirability of making considerable differences in wages and salaries in order to get the best results, and that exceptional talents in literature and the fine arts receive high pecuniary rewards.

### A FIELD FOR PRIVATE ENTERPRISE

The equalitarianism of a socialist system may also be subject to another qualification. Can a planned economy with its research departments do all that is desirable in discovery, initiative and risk-taking for economic progress? Or may it be better that socialistic planning shall confine itself to the more or less standardised activities that supply the basic needs of consumers and producers, leaving a considerable field of individual enterprise for private experiments in novel methods of production or in the industries subject to rapid changes of consumers' tastes? Is not some such qualification required in order that industry may conform to the needs of man? So far as men are similar in their material and moral

## ON IMPROPERTY

requirements standardised methods of technique must be economically desirable. But so far as individuals differ in their physical and moral make-up they must under free conditions develop tastes, interests and needs which are diverse and often unique, and cannot properly be supplied by standardised planning. There is a genuine fear lest socialism, in its attempt to cover the whole fabric of industry, should ignore these divergences and standardise the mind and body by refusing recognition of the individual character of men and women. An even deeper problem underlies this issue. Since the economy of mechanical technique will, in its continual advance, be rendered capable of satisfying the standard needs of man by a smaller proportionate call upon the productive energy of workers, there will be liberated an ever larger sum of energy available for the satisfaction of individual needs and requirements. This would seem to imply that a diminishing share of productive work would be subject to planning and standardised performance, a larger share to individual skill and enterprise in methods carrying in their

## THE ATTACK

performance some elements of interest corresponding to the individual interests of the consumer. Though the social ownership and application of the primary and essential processes of production will continue to afford a control to the community over all those private enterprises which utilise for unstandardised work the materials provided by standardised production, the direct scope of private personal enterprise would be continually enlarged for the fuller supply of wants in which the uniqueness of personality finds expression. Now if this be so, it seems likely that another qualification of strict equalitarianism arises. For the supply of individual needs and tastes is essentially less calculable as well as less standardisable. It calls for adventure and risk-taking as well as for personal skill in producing goods and services to meet personal tastes. Now such adventures involve errors and losses, and considerable prizes may be required to encourage the desirable amount of risk-taking. The difficulty many socialists experience in meeting the charge that their system destroys freedom of individual

## ON IMPROPERTY

character, alike in processes of production and consumption, can only be met by acceptance of some such distinction between standardised and individual tastes and activities as is here suggested. The true economy of socialism applies to producers and consumers so far as they resemble one another in their tastes and capacities, no further. If we distinguish the animal man from the human man, we shall find that it is the former that demands security of life obtainable from standardised production, while it is the latter whose "humanity" takes diverse shapes and gives that uniqueness to men and women wherein consists their chief interest to their fellows.

It is probably true that a middle type of industry will occupy a considerable place in providing goods and services, which, though not standardised in the widest sense, are demanded by sufficiently large groups of consumers whose tastes and needs are not those of the "common man" but are not strictly unique, expressing the desires of those who follow the latest fashion.

The failure clearly to recognise these distinctions

## THE ATTACK ON IMPROPERTY

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is responsible for grave misunderstandings and wasteful errors in the socialist movement of our time. Many Liberals and others with no party attachments are repelled by the rubber stamp ideal of a political and economic bureaucracy, figuring as the will of the people, while forcing their official will upon the whole political and economic life of the community with total disregard to recalcitrant minorities and no recognition of the freedom of individuals in choosing their own kinds of work and ways of living. Though these charges are repelled by exponents of socialism, they are not answered effectively so long as socialists fail to discriminate between property and impropperty in economic operations, and between the economic processes which are rightly socialised because they supply the common needs of consumers and those left to private enterprise because they supply individual needs. This is not a policy of compromise and concession, but a right adjustment of political-economic government to the nature of man as worker-consumer and citizen.

## CHAPTER III

# INTERNATIONAL ASPECTS OF THE ATTACK ON IMPROPERTY

### IMPROPERTY AND IMPERIALISM

THE ISSUE whether property can be put upon a basis of equity and security is not, as we now recognise, merely a class-issue within each country. It governs the life of international relations. For improperty as a cause of class conflict within a nation finds its wider expression in aggressive nationalism and imperialism, the endeavour to divert the peril of internal economic and political strife, conducted by strikes and lock-outs, wage-conflicts, tax burdens, subsidies to favoured trades, into the wider field of international struggles for closed markets, forcibly seized areas of development and settlement, and other outlets for improperty at home. If the wider struggle can be substituted for the narrower, by

## INTERNATIONAL ASPECT OF

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diverting the surplus national product into external markets, and by engaging the national emotions of pride and pugnacity in the interests of this imperial game, capitalism and property not merely secure themselves against a class-war but maintain that formal or informal domination which has hitherto made popular government impotent for all the serious tasks of economic democracy.

The plain recognition that international conflicts, whether in the shape of barriers upon trade and immigration, competing armaments, hostile alliances (falsely named defensive), are rooted in the excessive productivity of modern technique under capitalist control compels all who favour a league of nations, or other forms of political internationalism as instruments of peace and co-operation between nations, to perceive the necessity of establishing economic peace at home as a prior condition to the attainment of peaceful internationalism.

The disposition, not only of bellicose nationalists and imperialists, but also of pacifists, to close their eyes to this prior condition is mainly

## THE ATTACK ON IMPROPER T Y

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responsible for the present drift towards catastrophe. For it is no use for free traders to preach the pulling down of trade barriers, for economists to lament the waste of money upon competing armaments, for democrats to bewail the collapse of popular institutions before the rise of despots, for rationalists to appeal to the material and real advantages of a world pooling of raw materials, science, and social co-operation, so long as the real source of trouble lurks unrecognised in the background, viz. the insistence of the owning classes in each nation to cling to their "rights of property" and to utilise those rights in such ways as to breed class and international discord.

At this point it may be well to examine the united front recently set up by militarists and pacifists to repudiate the dominant part here assigned to economic motives in producing international conflicts. Regarded from the national standpoint as a business proposition war does not pay, either in its preparatory stage of armament production, or in its fighting stage, or in its economic results. The employment of an increasing

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quantity of capital and labour in armaments reduces income available for the production and consumption of useful goods, while the diversion of man-power from productive employments into the army, navy, and air force signifies a further encroachment upon the labour resources of a nation. The actual conduct of a war is destructive of property, alike in the shape of armaments and of damage to the country in which it is conducted. Even a successful war destroys and damages a vast number of efficient men in the prime of life. A victorious nation can sometimes assert political and economic control over the territory and people of a conquered country. But this forced control cannot be economically advantageous to the conqueror. In primitive times war might yield plunder in the shape of slaves, cattle, and other movable goods. Modern war does not permit such economic loot. The political control over a civilised foe may secure "reparations" in monetary or <sup>real</sup> wealth. But recent experience sheds a baleful light upon the exercise of this form of economic force, which either dries up the sources of payment or is

## THE ATTACK ON IMPROPERTY

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rejected by the recipient countries as an injurious form of dumping.

Where the conquered country is on a lower level of civilisation it is exposed to a forcibly imposed development by the capital and labour of the conqueror, assuming that the latter has a redundancy of these productive resources. This is perhaps the most plausible case for war-gain. If the conquered country has rich unused or ill-used mineral resources, or good uncultivated lands, the conqueror can utilise such resources to the advantage of its own business men and settlers. The Boer War is perhaps the best modern instance of war as a definitely organised business policy conducted to a successful end. But this instance raises issues of wider import. Let it be granted that certain financiers and mine-owners in South Africa, Britain, and elsewhere gained by the placing of the mines under the South African Government, with some security against the excessive taxation and other hampering policies of Kruger, but did the British people as a whole gain by a war so costly in money, in lives and in moral and military prestige? A few

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years of waiting would almost inevitably have brought a satisfactory settlement of such "outlander" grievances as actually existed, and avoided the dangers of a racial discord exhibited at the opening of the Great War. A properly conducted debit and credit account would certainly show no net gain to the British nation from this economically motived war.

But this crucial instance has another value. Its very crudeness serves to illustrate the need felt by modern war-makers to decorate and conceal the economic motive by other more reputable ones. The most creditable motive is contained in the expression "sacred mission of civilisation" recently used by Mussolini to justify his seizure of Abyssinia. The propaganda imposed by the mine-owned Press of South Africa upon the British Press and people represented the Boers as guilty of atrocities against the "outlanders" who came to develop their country, and of habitual brutality in their treatment of the Kaffir population who did the active work in the cultivation of the soil and in the unskilled labour of the towns. While the "outlander" atrocities were mostly

## THE ATTACK ON IMPROPERTY

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fabricated, the Boer treatment of the natives lent colour to the charge of barbarism, though the attitude of British settlers and white miners towards the Kaffirs who worked under them differed little from the Boer standard. There is no evidence that the main body of the natives in South Africa have reaped any political, social or economic gain from the war. Let it be noted that the spread of Christianity was closely associated by the mining propagandists with the wider "mission," and special efforts were directed to stir up the spirit of the Churches in this country for the support of the war. Another aspect of the mission took a directly imperialist character—the expansion of the Empire, of which Cecil Rhodes was the prophet and promoter. With every extension of the British flag came the peace and security for which our Empire stood and the wider opportunity for economic exploiters, traders, and missionaries to work hand in hand for the cause of civilisation and for the mutual benefit of the governors and the governed. This case of the Boer War well serves to illustrate the blend of motives—political, economic, religious,

## INTERNATIONAL ASPECT OF

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humanitarian-needed to win popular support for a costly enterprise engineered by certain definitely business interests. These other motives were real in their emotional appeal though almost empty of positive contents.

### “HAVES” AND “HAVE-NOTS”

Now it would be unfair and unconvincing to apply this diagnosis to the causation of the Great War or of the war-perils which confront us to-day. The economic factor seldom plays so prominent a part in bringing nations into conflict. Aggressive policies of forcible expansion are, indeed, still explained by their spokesmen in terms of economic necessity. Germany, Italy and Japan base their territorial demands upon the alleged needs of growing populations for supplies of raw materials outside their existing frontiers, for export markets under the national control, and for lands upon which their surplus population may find a settlement under their own flag. It is matter of surprise that these arguments for expansion should still be accepted not merely by the ignorant

## THE ATTACK ON IMPROPERTY

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multitude but by educated persons, even statesmen, who have access to the economic facts of recent colonial history. The dramatisation of the conflict between the "haves" and the "have-nots" among nations has been made the basis of appeal to international justice and humanity. A few countries, notoriously Great Britain, France and Belgium, glutted with colonial "possessions," refuse the "have-nots" the right and opportunity to obtain their reasonable share of the world's surface necessary for their vital needs ! True, in the case of Germany the economic demands are buttressed by considerations of racial unity, and all three "have-nots" are notoriously affected by pride and predatory prestige. But economic needs and gains still figure as the primary basis of imperialism, and men with the knowledge which Mussolini and Hitler must possess still flaunt them in their propaganda. Yet it is certain that a reliable fact-finding Commission would dismiss the whole of this economic propaganda as illusory. Take the case of access to raw materials. With few exceptions the raw materials and foodstuffs which

## INTERNATIONAL ASPECT OF

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populous or ill-provided countries cannot themselves produce are produced in superabundance by foreigners and are on sale to anyone who has the wherewithal to buy. The forcible and costly acquisition of lands producing these goods would not enable the would-be purchasers to get them more cheaply or abundantly than they could get them elsewhere. Even regarded as a war economy the argument carries little weight. For supplies from neutral countries would continue to be somewhat safer for transport and delivery than the same supplies from overseas colonial possessions.

The same reasoning applies to export trade. It pays the exporter best to sell his export goods to external buyers who can pay the highest price for them, irrespective of whether these buyers are under the same flag or not. This is the impregnable economy of free trade. But if important foreign markets are closed to our exporters by tariffs or other barriers, while our own dominions, colonies and protectorates can be induced to give our exports a preference, themselves bearing the higher costs which such a

## THE ATTACK ON IMPROPERTY

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preference involves, this policy may imply some economic advantage to our exporters at the expense partly of foreign exporters, partly of the imperial consumers. It is, of course, needless to argue that these artificial political interferences with free commerce are damaging to all countries which they affect. It seems, however, to satisfy imperial sentiment if we think that the injury done to the trade of other countries is greater than that done to ourselves. Imperialists are willing to purchase some national or imperial economic self-sufficiency upon these conditions. It may seem plausible for countries like the United States or Russia, possessing in their boundaries nearly all the basic materials for economic self-sufficiency, to follow this policy of expensive isolation. But for Britain, even with her far-flung empire, for France, Germany, Italy, it is not attainable, while the smaller European states cannot contemplate its possibility. No more conclusive refutation of the economic fallacy of imperial aggression is possible than the authoritative German statistics of pre-war trade with her colonies.

“ In the year 1912 Germany drew *one half of one*

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*per cent* of her raw materials from her colonies, and her exports to the German colonies represented a fraction over one half of one per cent of her total exports.”<sup>1</sup> The full restoration of all her pre-war colonies to Germany, one of her most flaunted political demands, would evidently be destitute of market value.

And what are we to say of imperial expansion as a necessity for an expanding population? If the world contained rich cultivable areas, unpeopled or thinly peopled, into which the “surplus” population of Germany or Italy could flow, such expansion might appear defensible as a natural process. But there are no such areas. Neither Germany, nor Italy, nor Japan has been able to settle any appreciable proportion of its growing population in its colonies or other territorial acquisitions. In January 1913 the total number of Germans, including women and children, living in the Germany colonies was 19,696. Over 3,000 of these were soldiers and policemen. There is no reason to suppose that the return of all these lost colonies to Germany would induce one per

<sup>1</sup> Sir Norman Angell, *This Have and Have Not Business*, p. 84.

## THE ATTACK ON IMPROPERTY

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cent of her increasing population to migrate and settle there. The statistics of Italian settlement in Eritrea and Somaliland show the absurdity of the pretence that Abyssinia, a country very like Eritrea in soil and climate, can or will absorb any but a trivial proportion of her artificially stimulated growth of population. Japan is admittedly overpopulated, but the conquered territories of Korea and Formosa have furnished no appreciable relief. In 1905 there were only 180,000 Japanese in Formosa and 400,000 in Korea, a large proportion of whom were officials and traders. "Japanese cultivation of the soil is practically nil. In Manchuria itself, to which Japan has had free access for many years, there are only 185,000 Japanese, over half of whom are in the city ports."<sup>1</sup> The attempted extension of Japanese rule first to Northern and later on to Central China would furnish no outlet for Japanese settlers in provinces already fully populated by Chinese cultivating the soil on a lower standard of living than prevails in Japan.

<sup>1</sup> Sir Norman Angell, *op. cit.*, p. 124.

## INTERNATIONAL ASPECT OF

### GROUP ECONOMIC INTERESTS BEHIND IMPERIALISM

In face of such facts and figures why do the "have-not" powers still persist in pressing the economic motives for expansion? Largely, I think, because it fits in with the nationalist propaganda for imperial expansion to present these illusory gains to the uninformed populace in order to win their enthusiastic support for an aggressive policy motived by considerations of power, prestige, pride and pugnacity. These strong urges and desires, dominant in powerful persons and classes, have always worked in with the more distinctively economic appeals. For these economic gains, illusory from the national standpoint, are often very real to particular business interests and enterprises. If the acquisition and maintenance of the British Empire has been of dubious value to the nation as a business proposition, when all public costs and risks are taken into account, they have undoubtedly brought large economic gains to certain export trades and to certain groups of capitalist exploiters,

## THE ATTACK ON IMPROPERTY

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besides being “a vast system of outdoor relief for the sons of the upper classes,” as officials and army officers.

In order to eliminate the economic appeal from the tangle of imperialist motives, it is not enough, therefore, to show the illusions which accompany this appeal. Imperialism, with its appanage of expensive militarism, means large and definite gains to certain organised economic interests. The armament trades are, of course, the most obvious example. The causal connection between these gainful trades and an aggressive or defensive foreign policy is obvious. Defenders of private armaments pretend that war is injurious to them, that they stand for peace. But history gives the lie to this pretence. For competing national armaments are an attempt of every nation, or every alliance, to be stronger than one another, and in their advanced stage involve the absorption of all the surplus income which governments can raise by tax or loan to the detriment of social services and private consumption. How is it that these follies are not detected and exploded? Is it not plain common sense that if the producers

## INTERNATIONAL ASPECT OF

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and traders in each nation were free to exchange the serviceable goods they can best produce against the goods which other nations can best produce, the producers and consumers of every nation would benefit while the general recognition of this mutual benefit would maintain good international relations and preclude the waste of armaments, imperialist aggression and war ?

### WHY IS THE FREE TRADE GOSPEL INEFFECTIVE ?

In every country there are groups of Liberals who find in this policy of free trade, accompanied, as it would naturally follow, by international arrangements for easy credits and the stabilisation of currency and prices, an all-sufficient remedy for the economic and political ills from which the world is suffering. But here the question arises, "Why cannot these preachers of nineteenth-century competitive free trade make their appeal to the peoples of this and other countries effective ?" Is it because the popular mind is hypnotised by a nationalism due to pride

## THE ATTACK ON IMPROPERTY

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of race and desire to dominate other peoples, or is there some "snag" or fault in their economic argument? Sir Norman Angell and other internationalists are disposed to dismiss the economic causes of imperialism in favour of what they term the psychological factor. But this psychological factor cannot be lightly detached from its economic environment. As we have already seen in our analysis of the origins of property, the urges of self-importance and social prestige are largely expressed through predacity and the fighting power which it involves. Psychologically regarded, imperialism is a collective form of the pride, self-assertiveness and pugnacity which are so prominent in individual leaders. But just as the acquisition of property without personal labour and the exercise of power over the lives of others which such property carries are chief sources of personal pride and social importance within national or other group life, so in the dimly envisaged society of nations the territories and populations acquired by imperial aggressiveness feed national pride and national importance. It is not necessary to prove that such acquisitions

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are profitable in the narrower economic sense to the possessing nation; the looser, loftier sense of predatory ownership suffices to give them value. It is to this sense of national self-importance that imperialists appeal for the popular support which they everywhere attain. Unless and until this individual and group greed and pride can be dispelled by a keener sense of justice and the good of others, the exposure of illusions about the purely economic gains of aggressive foreign policies and imperialism will not suffice for peace and security. Now the task of educating individual, class and national sentiments in favour of justice and humanity, so as to make them dominant in international relations, is not easy to perform. It seems to some that in this education fear is the best schoolmaster, that if people can be got to see that competing imperialisms mean the destruction of civilisation they will withdraw from such perilous competition. But does fear act in this way? Take the case of post-war France. Her refusal to fulfil her treaty obligation to reduce her armaments, her rapid insistence on increasing them, were admittedly the result of her fear of a

## THE ATTACK ON IMPROPERTY

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recovered and rearming Germany. The effect of this fear-policy has been to stimulate a recovering Germany to the utmost efforts at rearmament, fear of her strong neighbour being her chief defence for this rearmament. No ! Mortal fear only makes each nation seek to be stronger than its potential enemy—a counsel of despair from the standpoint of a peace-seeking world. If fear is not the best schoolmaster what is ? The pacifist would like to say love, the love of national neighbours for one another, the rapid enlargement of nationalism into humanity. But if, as realists, we are more concerned with the imminent perils that confront us than with some far-off ideal of humanity, we shall eschew any immediate appeal to such an emotional appeal as the love of neighbours. The unity of a single nation is not built upon love or any deep personal affection for others, but upon a sentiment which combines some true regard for their rights and welfare with a recognition of the mutual values of co-operation within the limits of a political or economic group. Slowly and with difficulty within the national boundaries has this sentiment grown strong

## INTERNATIONAL ASPECT OF

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enough to establish stable pacific national government. Recent history, indeed, forces us to doubt the stability of such government in many countries where pacific nationalism seemed to be established. How then, it may be asked, can we hope to extend to international relations a moral and a governmental policy which is visibly failing in the narrower ambit of national affairs ?

### A FLAW IN FREE TRADE LOGIC

It is best to make what will seem to be an indirect and perhaps evasive approach towards answering this vital question. I have already suggested the existence of a flaw in the applied logic of free trade, which explains why its appeal is not as cogent as it should be. When early in this century Joseph Chamberlain launched his protectionism upon this country his main line of argument was that where unemployment was rife in most of our chief manufactures it was wrong to admit foreign goods which could be made at home, employing the capital and labour which was standing idle. He failed to convince, not

## THE ATTACK ON IMPROPERTY

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because his reasoning was invalid, but because his facts were wrong. There was no considerable volume of unemployment in the trades he cited beyond that constantly recurring in the normal fluctuations of foreign trade and the normal errors in calculating future markets at home and abroad. But in cycles of general trade depression protective tariffs can be applied so as to increase the total volume of employment in the country which applies them at the expense of the employment in the countries from which we could have imported such goods. It is, of course, true that the consumer would have to pay more for the goods produced at home by this method than for the goods that could have been imported. And this would have meant that the consumer, spending more upon these protected goods, would normally have less to spend on other sorts of goods, and the shrinkage in demand for these latter would cause some unemployment in the trades producing them. So far the free trade argument is valid. But it ignores the further argument, expressly formulated and endorsed by Adam Smith, to the effect that since all trade consists

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in the exchange of goods for goods, there is an advantage in keeping the production of both sets of goods in your own country, rather than in buying one of them abroad. He argues it from the standpoint of employment and profit of capital. But it equally applies to employment of labour. Modern free traders have consistently evaded this argument, deeming it sufficient to say that if by tariffs or other restrictions we reduce our import trade, our export trade which pays for imports will similarly suffer, and unemployment will occur in these export trades. Now in any sudden application of protection some unemployment in the export trades would undoubtedly occur. But this does not dispose of Adam Smith's "two capitals" argument. Take the case of the motor-cars which we continue to import from America and France. If this trade were stopped by heavy tariffs, the particular kinds of export goods which formerly went out in ~~payments~~ would cease to go, and the total value of our export trade would be reduced. But since other kinds of goods must be made in this country to exchange against the increased number of British cars now

## THE ATTACK ON IMPROPERTY

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sold, the total volume of production and employment of capital and labour in this country would be increased. In other words, the loss in our export trade would be compensated by the gain in internal trade. Both the motor-cars would be made here and the goods which by ordinary processes of exchange went to our enlarged motor trade in payment for them. The illusion that foreign trade is more important than a corresponding home trade is perhaps supported by the greater statistical attention given to the former.

But, it will be said : " Surely you are wrong in arguing on Adam Smith's or any other authority that it can be bad policy to buy in the cheapest market." To this there are two answers. The first is " Bad for whom ? " The freest possible exchange of goods in the markets of the world is certainly for the good of the world in that it stimulates the most productive application of all the factors of production and maximises the amount of world-wealth. It is also advantageous to the particular buyer in any nation that he should have a cheap free trade world market in which to buy. But these admissions are quite consistent with the argument

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that a particular political area, e.g. Britain or France, may secure a larger volume of productive employment within its borders by keeping out foreign competitors. In a period of world depression it may pay a particular country to make some of the goods it needs by a higher cost of production than would be required in a foreign country. In other words, it may pay, from a purely national standpoint, to export some of our unemployment, and even if the *cost* is a little more it may be better to keep men employed than to pay them while unemployed. If all other countries adopt this same policy it is no doubt less advantageous, for it diminishes our power of selecting the kinds of imports we wish to let in free owing to increasing disability to pay for them with our exports.

One final qualification of considerable importance is required for this defence of protection as a national palliative in depressions. If the increased price our consumers are obliged to pay for the home-made goods substituted for exports is very large, the whole advantage to our unemployed capital and labour may be lost. If a ten

## THE ATTACK ON IMPROPERTY

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per cent tariff will enable home-made goods to replace imported goods, while a reduction of overhead charges, resulting from the fuller employment of plant, etc., enables the consumer to get his home-made products at five per cent above the price of free imports, the tariff policy will pay. But if the advantage of imported trade is so great as to require a fifty per cent tariff to give adequate protection, such a tariff may raise prices to consumers so much as to cause a large amount of unemployment in trades that suffer from the reduced income available for the purchase of their products. There are, of course, other considerations. A tariff, once set up to deal with a trade emergency, cannot easily be removed when the emergency has passed and trade has become normal. This has special application to infant industries brought into existence by tariffs and subsidies and likely to perish if these artificial aids are removed. Both the consumer and the taxpayer may be injured in pocket by the maintenance of protective measures after their emergency utility has disappeared. Sugar subsidies mean a higher price for sugar and taxation to furnish the

subsidy. Similarly with the stimuli for home-grown wheat and meat and other protected and subsidised goods. And finally there is the fact that protection helps the establishment and maintenance of cartels and other monopolistic business organisations which fix prices upon a basis of maximum profits restricting output so as to keep prices high.

Protection, thus envisaged, figures as an instinctive self-defence of industries which exhibit an excessive power of production in times of weakness or depression, excessive in the sense that full productive use creates a surplus which cannot be sold without reducing prices to a level which makes large portions of the capital and labour unprofitable to employ. So long as a very few nations were equipped with modern technique the difficulty of over-production for the home market was overcome by an expansion of foreign trade, paid for, partly, by increasing imports of foods and raw materials to raise the standard of living, and furnish the needs of the expanding trades, partly by increased foreign investment. But when other backward European countries, with America and Japan, had taken on the full

## THE ATTACK ON IMPROPERTY

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modern technique at a time when that technique itself was making rapid advances, not only in manufacture but in agriculture, the outlet for surpluses, arising from the inadequacy of each home national market to increase its consumption so as to keep pace with its increased productive power, became quite insufficient to cope with the new situation. This is where the economic world stands to-day. The prolonged world-depression is a simple register of the fact that *under the productive and distributive system known as capitalism there is a growing volume of waste* and that the partial phases of recovery, as in this country and America, are unable to absorb the body of unemployed labour. The attempts of economists and statesmen to conceal the nature of this failure of capitalism by citing as its causes monetary and protective disturbances which are actually effects and owe their origin to the failure of producers to win markets for all they can produce, is a cowardly refusal to face the political and economic reforms needed to secure peace and productive prosperity for their own country and for the world.

## NATIONAL AND CLASS CONFLICTS

This diagnosis makes it evident that the national conflicts of aggressive foreign policies are intimately bound up with the so-called class-conflicts within each nation. This judgment receives practical confirmation from the recent ranging up inside each nation and in the international field of right and left groupings alike in economics and politics. The failure of the League of Nations to fulfil its obligations in the Italo-Abyssinian conflict and the retention of the rebel Italy in the League, were attributable, partly, no doubt, to the desire of France to retain the support of Mussolini in the case of trouble with Austria and Germany. But it was partly due to the actual sympathy with Italian imperialism manifested by conservative forces in this country and in France. Still more significant has been the open array of class sympathy in the case of the Spanish struggle. No sooner did the rebellion against the popularly elected Spanish Government break out than the Fascist Governments of Germany and Italy betrayed their sympathy with

## THE ATTACK ON IMPROPERTY

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the rebels who were misrepresented as the defenders of order and prosperity against a Communist Government subsidised by Russia. This is not the place to discuss the disputed facts relating to Soviet propaganda and money on the one hand, Italian and German aeroplanes and arms for rebels on the other. Our point is that here we have international sympathy apportioned along the lines of labour and capitalism, or more exactly impropriety and socialism. It is the supposed economic policy of confiscation, attributed to a Spanish Government, falsely described as communist, that rouses the passionate sympathy for the military rebellion among large sections of the possessing classes in France and Britain freely voiced in important organs of the Press. The army officers, the landed gentry, the land-owning Church, most big businesses and many professional men, a large upper class minority, have taken upon themselves to defy a democratic government whose economic policy they have reason to fear. For the social-economic arrangements in Spain in relation to standard of working-class living have long been a scandal and a

## INTERNATIONAL ASPECT OF

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hindrance to industrial and agricultural progress. It is natural that those classes whose immediate power and interests are threatened should organise in their defence. Democracy is so recent and ill-established a form of government that the rebels feel no compunction in seeking its overthrow. But it is a matter of deepest concern that they should have rallied to their support the upper classes in other democratic countries, because this signifies that internationalism comes to signify class community of thought, sentiment and interest in the several nations.

This result is perhaps inevitable. As within the political system of each nation grave issues relating to property and economic organisation come more and more to occupy the stage, so it seems to follow that international sympathy and co-operation must gravitate in the same direction. We have recognised two root causes of this transformation of politics: one, the growing inability of the capitalist system to function regularly and productively in conformity with the growing powers of organisation, equipment and technique; the other the growing conscious dissatis-

## THE ATTACK ON IMPROPERTY

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faction of the workers with their share in the control of industry and in its product, and their determination to utilise their numerical advantage for the establishment of a democratic control of the economic order with large elements of state socialism and of communism. As the owning and the working classes in each country come to a clearer recognition of the failure of capitalism to function effectively and to deliver the goods, either in the form of profits or of wages, their attention is directed more and more to winning for their class the control of the state. Though fascism and nazism have striven to conceal the financial and personal sources of their power, seeking to present it as a free popular repudiation of communism and revolutionary socialism, it is quite manifest from the current of events that the defence of landed and industrial property and of capitalism has been their main purpose. The personal aims and interests of leaders and the cross-currents in industry, commerce and finance, have helped to conceal and qualify this main purpose. But the supersession of democracy by fascism and nazism is the direct consequence of

## INTERNATIONAL ASPECT OF

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the rising determination of the working classes to apply their numerical strength by constitutional means to the betterment of their economic position at the expense of impropriety. This struggle has been going on, however, not only in Italy and Germany but in every important country of the world, even in Britain, though, in accordance with our traditions, less direct and less openly avowed. The Soviet revolution, with its survival and growing success in the economic field, has everywhere given heightened consciousness to the class struggle. In each democratic country the question whether the defence of capitalism and of the propertied interests is compatible with the maintenance of elected popular governments is troubling the minds of the men who have hitherto been able to acquiesce in democracy because they were strong enough to keep it out of the major economic issues. Now this is no longer possible, they are playing with forms of oligarchic rule, invoked first as emergency measures against civil strife, and afterwards maintained with some concocted "consent" of the people. This is what will happen, first in Spain,

## THE ATTACK ON IMPROPERTY

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afterwards perhaps in France, if the contagious victory of the rebels in the former country is achieved. And is it certain that Britain, encircled by fascist states, would maintain the integrity of a popular self-government which may at the next election elect a socialist majority bent on large and rapid invasions of "the rights of property" and the profits of private enterprise?

Even in the United States, where capitalism has achieved its zenith, unhampered by the labour laws and social services of many European countries, the political issue is gaining a high measure of class-consciousness. There, and in Britain, it is not the logic of Marxism or of any theoretic socialism that is the main motive in a radical movement, but the plain exhibition of the failure of capitalism to serve the interests of the people. And the nature of this failure is there, as here, made manifest by what is happening in the new period of partial recovery which has set in, restoring the productivity of the country to something approaching the high level of 1929. It is the failure to absorb the volume of unemployed labour that confronts the defenders of capitalism.

To some economists of the Left this failure is attributed to two policies of modern capital. The rapid application of new scientific technique to machinery and methods of production signifies a continuous displacement of employment. The machine does more, the worker less, in the production of any given quantity of goods. This, of course, is no new complaint. It dates back to the early stages of the Industrial Revolution. But, whereas the fear of increasing unemployment due to labour-saving methods was then overcome by the expansion of foreign trade and investment abroad, this outlet for increased production is no longer available in sufficient volume to meet the requirements of the situation. What one industrialised country could do, twenty cannot do. The alternative is to make use of modern scientific technique but to restrict production alike in industry, agriculture and mining. Where capital has cartelised a whole industry, or otherwise brought it into common action, its financial controllers, as Veblen points out, arrange for such restriction of output and regulation of prices as is desirable in the interests of maximum profits.

## THE ATTACK ON IMPROPERTY

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When it is not possible for competitive producers to get together effectively for such a policy of restriction, the State may pursue the simpler policy of paying over-production trades to reduce their production. This last policy, widely applied in the United States, is the most *naïve* confession of the failure of private business enterprise that could be devised.

But whether limitation of production is planned by financial industrialists or is imposed by public authority, as a remedy for excessive productivity, it stands as a manifest evasion of the reasonable remedy, viz. an expansion of consumption to keep pace with every expansion of productivity. But, as we have recognised, the application of this remedy signifies a distribution of the general net income that will increase the share going to labour and diminish the share going to capital. For this is the prime requisite in a balance of spending and saving which shall keep industry in full employment for its capital and labour. The issue which confronts the democracies of Britain, France, and America is whether or not this necessary redistribution of income can be

## INTERNATIONAL ASPECT OF

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achieved within the capitalist system or demands the displacement of that system by a State-planned economy, or whether some middle course such as we have envisaged may preserve certain spheres of private enterprise in a community where the key and essential industries are socialised.

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I have enlarged upon these aspects of the capitalist crisis and the class conflict that has arisen, or is arising within every country, because this intra-national conflict is intimately related to the militarism and imperialism that threaten our peace and civilisation. It may be quite true that the economic arguments for territorial conquest and colonisation are as feeble as Sir Norman Angell and other economists show them to be, and that pride, prestige, pugnacity and power are the directly operative motives with which ambitious dictators goad their receptive peoples into foreign exploits. But this admission does not dispose of the fact that economic conflicts relating to property and its ownership and use within each country are the main causes of

## THE ATTACK ON IMPROPERTY

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those competing tariffs, armaments and foreign policies which menace world peace. Spain presents the crucial issue. For it has called out in every other country that display of class sympathy which ranges the ruling and possessing classes on the side of the rebels (more nicely "the insurgents"), the workers on the side of the government. This phenomenon is particularly instructive in the case of Britain and America where neither a fascist nor a socialist government is in power. Leaders and letters in most conservative papers, taken with the speeches of important business men and social magnates, make it abundantly evident that in England the real sympathy of our upper and respectable middle class is with the insurgents. One *Times* correspondent puts the case in easy perspective, for he sees the "mob" up against "the leading citizens." The fact that "the mob" are the supporters of a duly elected government, while "the leading citizens" are rebel officers, landowners, priests, industrialists, makes no difference. This, it may be said, is merely a wild irresponsible utterance. Most expressions of sympathy with the rebels are more

## INTERNATIONAL ASPECT OF

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cautiously worded. But they carry the same import. When we remember in 1914 the refusal of army officers in Ireland to obey orders, and the support of their refusal by important statesmen in this country, we can envisage pretty clearly what might take place here if a duly elected socialist parliament attempted to carry by constitutional means measures regarded as encroachments upon the rights of property and the capitalist control of industry. Would the threatened interests acquiesce, if they knew that the City stood firm for resistance, that the majority of employers in big industry would support them, that the officials in most important positions sympathised with them and would offer tacit obstruction to new enactments, that the aristocracy and social leaders were solidly behind them, and last, not least, that the higher command and the entire officer class, recruited from the upper classes, would be prepared to refuse the use of public force, if in the last resort it were required to carry out the law ? We need not look to the possibility of a definite fascist organisation under some bigger Mosley to indicate the danger

## THE ATTACK ON IMPROPERTY

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to democracy which might arrive in this country if the Press and other instruments of propaganda were used to announce an attack upon the sacred rights of property.

While it may be true that capitalism as a whole cannot in the long run gain by expenditure on armaments and territorial conquests, this consideration does not dispose of the facts that certain well-organised and politically influential industries gain for a short run by this spirited foreign policy, and that few business men concern themselves with "the long run" or the interests of capitalism as a whole. To "stay giddy minds with foreign quarrels" has long been a recognised expedient for threatened home despots, and a certain admixture of plausible economic incentives is found useful in order to turn the emotions of a confused popular mind away from dangerous attacks on property.

#### CHAPTER IV

### THE DEFENCES OF IMPROPERTY

IF OUR ACCOUNT of the new atmosphere of conflict within each nation and in international relations is accepted, it signifies that the working classes are everywhere awakening to the wrongs of improperty and are preparing to use their political and economic powers for their redress. In no two countries does the conflict assume an identical shape. The differences depend, partly upon the economic structure which harbours the "improperty," partly upon the mental character and traditions of the owning and the working classes. In countries where, as in Russia and in Spain, workers on the land predominate in numbers and importance, any movement towards communism is tempered by the demand of an emancipated peasantry for a share of property in the land they cultivate. Russia is engaged in

## THE DEFENCES OF IMPROPERTY

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working out the just balance between personal and co-operative ownership and work in agriculture. Though in Spain the loyalists comprise large numbers of communists, socialists, syndicalists and anarchists, whose political divergences might cause trouble in any national scheme of planning, it can safely be said that all would support some forms of private property if the excesses of rent, profits and interest could be liquidated. This is frankly due to the fact that land is divisible as a productive instrument, whereas a factory, a mine, or other piece of capital, is not so divisible and cannot form an instrument of private ownership and enterprise for the separate workers employed in its operation. Therefore, in countries where non-agricultural workers predominate in numbers or in organisation, the attack on "improperty," whether conducted by socialists, trade unionists, or syndicalists, is directed partly to bettering the wages and other conditions of the workers, partly to supplanting private by public ownership and control. Common to both lines of attack is the policy of large expenditure on social services

## THE DEFENCES

directed mainly to the health, education, recreation of the workers. Though some conflict may arise about the tax-sources of this public expenditure, the services it renders constitute an expanding area of actual communism and socialism. In Britain this concessive policy, as we have seen, has been successful so far in buying off and in obscuring any wholesale attack upon property. In Germany and Italy it has been an appanage to the profession of a corporate state, which on its economic side shall either displace private capitalism or curb its excesses by wage and price controls. But very little progress has been made towards the achievement of the corporate state, and, save for the growing burden of taxation, capitalism retains its sovereignty in the economic realm. In the United States, where capitalism is more strongly entrenched than elsewhere, politically and economically, the prolonged depression with its great volume of unemployed has gone far to arouse a definite conflict between the owning and the non-owning classes which never existed before. Until recently, the accepted belief that every American could

## OF IMPROPERTY

thrive by his own industry and skill in a land of free opportunities was warranted by fact. This creed was, indeed, slowly sapped by the disappearance of free land and the late nineteenth century dominion of organised capital in the mining and manufacturing centres. A strong though somewhat vague resentment of a "money power," known as Wall Street, was gaining ground in the Middle West, and farmers, squeezed by local banks, railways and elevators, made spasmodic attempts to combine with labour unions to use politics for economic remedies. But the belief in "the manifest destiny" of America as a land of abounding prosperity was supported by her economic resilience after short periods of slump. Not until the last seven years, with its continuous unemployment, has the failure of American capitalism obtained wide recognition. And even now there is no such alignment of proletarianism against capitalism as appears in Europe. Americans in difficulties are prone to hasty, confused thinking. This has given a great advantage to the owning and ruling classes whose enemies are cited almost promiscuously as

## THE DEFENCES

communists, socialists, anarchists, bolsheviks, pacifists, internationalists. The attachment of the last two groups suffices to indicate the close relation between capitalism and nationalism in America. It is idle for educated critics to point out how small are the numbers of the adherents of the "revolutionary" creeds, or how divergent the creeds are. The loose use of language for slogans and vituperation serves its purpose in the defence of capitalism against the new attacks of a half-conscious proletariat.

It has not hitherto been necessary, and it may not become necessary for the owners of impropriety in America to defend themselves, either by substituting fascism for democracy, or by extending the scope of nationalism into imperialism. It may be safer for impropriety to "run" democracy rather than to displace it. The two-party system, dependent for its finance upon the wealthy owners and their corporations, and operative through the caucuses in the choice and election of amenable candidates for local, state and federal elections, with the strict party selection of judicial and administrative officials, has so far

## OF IMPROPERTY

served to safeguard successfully the interests of the owning classes. The recent failure of the New Deal to effect any drastic alterations affecting the distribution of wealth and the political control of economic processes, notwithstanding the ebullient statement of its intentions, attests clearly enough the practical impotence of political democracy in America to express itself in terms of economic equity. The cowardly refusal of Mr. Roosevelt and his following to voice the demand for a radical revision of the Constitution, needed to give effect to economic reforms, is a short-range opportunism fatal to any powerful impetus to national economic reconstruction. The expensive policy of doles and subsidies, riddled in its application by corruption and inefficiency, seems unlikely to allay the growing volume of discontent. But the poor and discontented classes are unable to organise themselves into an effective majority, or to plan any rebellion that has the least prospect of success. In a country where the courts, the police, and the army are the obedient servants of the well-to-do classes, accustomed to use their powers for the repression of strikes and

## THE DEFENCES

other civil disorders, with little regard to strict principles of law, liberty or justice, how could any revolt of the farmers and town workers, even if they were an organised majority, hope to prevail against the forces of " law and order " ? No shedding of democratic forms is necessary so long as these forms remain firmly under the control of the two parties engaged in a sham fight.

In Europe we see fascism and nazism bloating their nationalism into imperialism and intervening in Austria, Spain and elsewhere for the destruction of democracy. But for American nationalism such external expansion is not necessary. America stands at present solidly for isolationism, qualified by a Monroe Doctrine which is fundamentally incompatible with a world-wide League of Nations. The popularity of this isolationism is fed by a feeling of conscious superiority to a quarrelsome outside world and a traditional fear of " entangling alliances." Accustomed to stand by herself, America insists on her intention of continuing to do so in a world where every form of commercial, hygienic, intellectual and moral communication is set in the opposite

## OF IMPROPERTY

direction. A gallant effort but necessarily doomed to failure ! The war and post-war years of profiteering prosperity forced America into the position of a creditor country with a lavish export of capital to Europe and South America, thus giving enlarged economic meaning to Monroeism while entangling her in the perilous finance of Central Europe. It may appear that America has learnt her economic lesson and with recovering prosperity will play a safer game of home investment. But such an attempt must speedily bring her owning classes up against the problem here recognised as fundamental, the inability to raise national consumption, so as to keep pace with the increase of capital's productive power, without changes in the distribution of income to which capitalism has hitherto refused serious consideration. Whether any system of high wages and expensive social services would be politically feasible in America, or in any other country, on a scale commensurate with rise of modern scientific productivity, is matter for dispute between Marxists and radical reformists. Theoretically an extension of the reformist policy practised in Britain

## THE DEFENCES

might suffice to maintain the desired equilibrium between spending and saving, productivity and consumption. But the opposition put forth by the propertied classes in their short-range vision as profiteers and taxpayers may so impede the application of this policy as to force every popularly elected government to a planned economic policy embracing all the profitable lines of business and amounting in substance to state socialism.

It is this situation that to-day confronts the owning classes in every developed economic country, and it is necessary to take closer count of the technique of defence they are putting up. We have already recognised in fascism and nazism the externals of this defence, the seizure of the instruments of government, the destruction of free combination among workers, the liquidation of all discussion and organisation of dangerous doctrines, the stimulation of a passionate nationalism and its direction to the acquisition of foreign territories.

But these external defences of impropriety are nourished by intellectual, moral and emotional

## OF IMPROPERTY

appeals which are worth study in their several national environments.

Max Weber, Tawney and other students of Christianity have shown how throughout the ages the Churches have given vigorous support to "the acquisitive instinct" and have utilised it so as to obtain large amounts of property for their own possession. In pre-capitalist ages, when land was the chief form of property, Church ownership was probably less burdensome to the peasant population than ownership by feudal landlords. And outside of land ownership the acquisitive spirit was kept in some restraint by laws against usury and other controls over economic life exercised by the Church. But when the rise of Protestantism in many countries had displaced the authority of the Church over most mundane affairs, it encouraged the output of individual endeavour in industry and trade, accepting the current inequalities of economic opportunity as belonging to the scheme of Providence. Whereas earlier Christian teaching had been disposed to discourage any economic disturbances of the existing order, because "this world's goods" were

## THE DEFENCES

relatively unimportant, the new Puritanism recognised a definitely spiritual value in the acquisitive capacity of Christians, and business success was a testimony to a good life here on earth and the education of a character well fitted for the "life hereafter." Personal character and the "good works" attached thereto came to displace "faith" and the more mystical aspects of the religious life as the core of a practical Christianity. It was not a narrow, selfish materialism that thus emerged. Philanthropy in its distinctively modern sense was a product of the new bourgeois virtues which won business success under modern capitalism. "Being good to the poor" was an accepted duty of those who could afford it. "Charity" left its true spiritual height in order to feed an emotional blend of pity and condescension. Its activity required the continuance of poverty, and "the poor ye have ever with you" was taken as a divine sanction of a desirable distinction which brought spiritual benefit alike to the benevolent rich and the grateful poor. The underlying purpose and result of such religion were to win a quietist attitude towards the current economic

## OF IMPROPERTY

structure and to ward off any searching enquiry into impropriety. This was made easier in this country by the fact that the upper class was vested with the appointment of most offices in the Established Church, while the Nonconformist Churches were financed in building and in ministerial salaries by the well-to-do members of the middle class. There was no conscious defence of impropriety, because there was in the possessing classes and their spiritual nominees no feeling or belief that there was anything wrong with the operation of a system which distributed wealth in accordance with the economic merits of the participants, riches to the industrious, the provident, the enterprising and to their descendants, poverty to the idle, the feckless, the incompetent. Cases of emergence from poverty into riches by personal energy or good fortune were sufficiently numerous to support the view that those who failed to seize such opportunities failed by their own fault, while the part played by inheritance in the apportionment of riches was masked by a regard for the solidarity of the family. Mitigated by consideration of hard cases,

## THE DEFENCES

of undeserved poverty and even of undeserved riches, this ethics of earnest Christian teaching formed a solid bulwark of support for the emerging capitalism of the eighteenth and nineteenth centuries and for the "impropriety" which accompanied its working. Perhaps the main cause of the indifference of Christian teaching to the maldistribution of wealth, however, is its concentration upon individual character and conduct. Society consists of individuals, and if anything goes wrong in society that wrong must be traceable to personal defects. Dr. Inge and other modern critics have acknowledged the inapplicability of the Christian ethic to the intricate structure of modern society, deprecating the efforts of Christian socialism to bring that ethic into the fields of business and politics. This, however, is not the commonly accepted view of the Churches, which more and more are led to a sympathetic attitude towards social reforms as fields of personal service for those who perceive that doctrinal faith is losing its hold upon the modern mind, and that if the Churches are to keep their spiritual control they must come down closer

## OF IMPROPERTY

into the mundane life of the people, their hygienic, educational, recreational and other interests. This organisation of secular activities is a fairly conscious technique, for the organisers regard it as an essential task of a Church which is to retain a congregation for its definitely religious ceremonies. The lead which the clergy thus obtain in various social activities operates as a quasi-charitable enterprise to mitigate the rising discontent of the poorer classes, and to keep them from the public house and the socialist lecture hall. It seeks to combine the tasks of improving personal character and of keeping its intellectual and moral interests within safe bounds. Though vigorous individual thinkers, such as Stuart Headlam in the last generation, Dick Sheppard in this, would use a corporate spirituality for purposes of fearless reform in the structure of society, this has never been the attitude of any considerable group of Christians. Even the Quakers, who have gone further than other religious bodies in their conception of social responsibilities, have never as a body confronted the central problem of "impropriety." Like other

## THE DEFENCES

reformers they have sought to break it up into special cases of maldistribution and to rely more upon personal conduct than upon political co-operation for their remedies.

In an earlier discussion of the origins of impropriety we saw that its mode of acquisition by personal force or cunning gave it a prestigious value not shared by the property that arose from productive labour. Rapacious valour carried a higher appeal to public admiration than common drudgery. The spoils of victory were nobler than the wealth that came from work. An idle life, punctuated by bursts of fighting and robbery, continued through the emergence from barbarism into civilisation, to retain this social cachet. Though the modes of acquiring impropriety have shifted from the old predacity into something far more intricate, the social recognition of an expensive life without any regular work still persists. An independent gentleman, "living on his means," so far from evoking critical disapproval still wins the admiration of his inferiors who have to work for their living. While land-ownership perhaps still retains some of its original

## OF IMPROPERTY

distinction as the most conspicuous testimony to wealth without work, much of its prestige now attaches to the wealthy rentier and to those business men who are not absorbed in their occupation and whose families live in ostentatious leisure. Indeed, if we may take it as a fair generalisation, that the larger the income the more the "impropriety" it contains, we may conclude that the worship of wealth which pervades all classes retains the original quality which glorified stolen property, the admiration of the personal force or cunning of the stealer. This admiration is, of course, an integral factor in snobbishness, i.e. in the class distinctions which give zest to that social climbing instinct so prevalent in this country, and, under a slightly different guise, in America. For the acquisition of property which shall raise our standard of living and qualify us for meeting on a level of social equality those who were formerly our superiors is the chief incentive to economic success among all sorts and conditions of our people. It is not, as is sometimes misrepresented, a distinctively bourgeois quality, but also divides

## THE DEFENCES

the manual from the mental workers, the skilled and better-paid workers from the unskilled and the low-paid. Indeed, far from being regarded as a vice or defect, it is prized as a sound incentive to successful industry and enterprise. Britain and America are deemed to owe much of their economic success to the freer opportunities afforded them to rise from a lower to a higher social-economic status and to reap the personal satisfaction that comes from such success.

What we are here concerned with is not the merits or demerits of this worship of wealth and social importance, but its effect in concealing the wrongs of impropriety. Whereas in every civilised country the open seizure by force or fraud of another's property is condemned and punished by law and by public opinion, the more secret and indirect methods of acquiring property produced by others are condoned and are not even recognised by reason of the complexity of modern business operations. If a man makes some contribution, however small, to the performance of a productive operation he deems himself, and is deemed by others, to be entitled to as much of

## OF IMPROPERTY

the product as his bargaining position enables him to take. Begin with the crudest case, that of a shrewd business man who is quicker than his neighbours to realise that a piece of raw agricultural land can be successfully developed, with the assistance of the Urban District Council (of which he is a member), so as to make it available for building sites in the near future. The needs of a growing town population will realise his expectations, and the pressure of these needs will give a high rental or selling value to the land he has thus assisted to develop. This rise of land values becomes his legal property, and, what is more, he thinks that he has made these values by his foresight and enterprise. His part in the creation of this land value was real, and was worth something from the standpoint of the community. But was it worth as much as what he gets? Surely not. Are the ground rents of London properties which accrue to their noble owners, or the Wall Street rents which made the wealth of the Astors, in any appreciable degree the products of these recipients?

A more difficult issue arises when an inventor

## THE DEFENCES

has discovered some improvement in the technique of an industry which doubles or trebles its product for a given output of labour. Is he, or the entrepreneur who applies this discovery, entitled to regard the whole gain from this invention as a property which belongs to him because he has made it? Public opinion on first thought would reply in the affirmative. But further reflection would qualify this judgment in several ways. In the first place, the invention is grafted upon previous knowledge and practice which should be taken into account when the whole process of the improved technique is brought under survey. In the second place, the increment in value is dependent upon the invention being kept and operated as a monopoly, for if it passes into general use in the industry the fall in prices will hand over the greater part of the gain to the consumer. The monopolist of a labour-saving invention can, if he chooses, secure for himself the gains of the whole industry, by forcing out of action his former competitors or dictating to them the terms on which they may survive. While, therefore, it may on first sight seem

## OF IMPROPERTY

“fair” that the inventor should take as his property the whole gain of his invention, regardless alike of other members of his trade and the consumer, second thoughts will correct this view, placing some limit upon his right of property. This limit, however, it will be difficult to fix, in theory, without a much deeper delving into the rights and wrongs of ownership. Can this invention by a single act of genius or industry be held to have made the whole of the enlarged product that results therefrom in the same sense that the peasant makes the crop he sows and reaps or the primitive craftsman makes a spade or a flint-axe? Or is the difference merely one of degree? Can anyone be said to make anything and claim to have it for his property because he has made it? After all, to quote Locke’s justification of property, he has only “mixed his labour with it.” But further consideration even in the simplest cases will show that Nature by her “niggardliness” is also a contributor to its value, and that in his labour he is utilising the skill and experience derived from many earlier labourers. Moreover, if he is producing for a market, as is the

## THE DEFENCES

case in every modern industry, the demand for his product, represented in the money prices offered, brings into the value of the product the activities of the whole economic society.

It is in fact this last consideration, the social determination of the value of any particular goods by the interplay of the entire bodies of producers and consumers, that invalidates the notion that any property in its form or its value can be the product of any individual worker, entrepreneur, manufacturer or trader. Innumerable contributions from the past and present enter as co-operative factors into the production and value of every economic good.

If, however, we confine our attention to the productive processes, it may appear that these are composed of a number of "costs" and that the money costs, in wages, salaries, interest, rent, profit, can be taken as representing the value of the various contributions, and are the rightful property of the contributors as owners of the several factors of production. It is true that the prices of the final products thus distributed are not, as we have seen, payments for

## OF IMPROPERTY

the particular costs of producing these products. For these payments have for the most part been made at an earlier stage out of the funds paid for productive acts of the same kind. But, assuming prices for these activities are running regularly, the prices for final products will be utilised to pay wages, profits, etc., at the different stages for repeating the activities which went into the final products that have just been marketed. The result would seem to be that all the income got from selling marketable goods was distributed in "costs." This sounds reasonable, and gives an appearance of equity to the whole procedure. But the appearance will not bear closer examination. For "costs" here simply means whatever any producer is strong enough in his bargaining power to get. It means in fact distribution according to economic force. The landowner gets a rent that measures not any personal productive act of his but the scarcity value of his land. The employer gets a sum which represents, partly, the superiority of his plant or control of market; partly, his bargaining power with the skilled or unskilled, the

## THE DEFENCES

unionised or "free" labour he employs. The owners of the capital used in the different processes of production obtain interest, or profit, which varies from a close competitive minimum to a high rate for some special advantage in technique of production or control of market. Everywhere the so-called "cost" measures, not the effort or skill given out, but the strong or weak "pull" of the owner of some factor of production. So intricate is this determination of payments that it baffles the untrained intelligence even of most "educated" men and women. They see that many rich persons enjoy large incomes without much or any personal effort, and that many hard workers with muscle or brain earn a bare livelihood, and have no security of earning even that. The result is that, though there is a growing feeling that the economic system does not work as well as it should, they cannot point out just where it goes wrong. In other words, where "impropriety" lurks in innumerable forms of economic force which are not clearly discernible or measurable, the tendency is to ignore it, or to fail to recognise it,

## OF IMPROPERTY

save in flagrant cases of monopoly or economic tyranny. The inequality between supply and demand which occurs in most markets, enabling the stronger of the two parties to purchase upon terms which give an adventitious gain, pervades the whole economic system. Nor does it signify merely a distribution favourable to buyers as a body or sellers as a body. It applies as between the several buyers and the several sellers. For though they pay and receive the same market price, it means for them, as individual bargainers, a different gain, according to the difference in cost of production on the one side and the pressure of needs on the other side. A sixpenny loaf has a larger margin of profit for some farmers or bakers than for others, and presses more hardly on the poorer than on the richer purchasers.

These obvious facts are known in a sense to everybody, but the familiarity of the knowledge and the inability to assess such differential gains in any particular market help to obscure the common nature of the "impropriety" it contains.

Sometimes it is suggested that a taxing system can be applied so as to take all "surplus" or

## THE DEFENCES

excessive income for public revenue, thus converting personal improperty into public property. Theoretically this is sound enough, but practically it cannot be carried very far, because it involves a knowledge and control of the accountancy of every business which cannot be obtained. While, then, there is a widespread conviction among the poorer classes that the rich enjoy many opportunities of unearned or excessive payment for the factors of production they own or control, the upper classes come easily to acquiesce in the view that "on the whole" the current system works fairly and gives everyone "what he is worth."

This view is often rightly qualified by the implication that equality of opportunity is an underlying assumption of its validity, and that social ethics demands the attainment of such equality. Now equality of opportunity would certainly dispose of all the "improperty" which comes from advantages in ownership of land & capital, and would greatly reduce the profits from monopoly or quasi-monopoly of education and ability. But it would not dispose of the value of certain

## OF IMPROPERTY

personal qualities of skill and genius in the professions and the fine arts. A film star, a famous painter, a lawyer or surgeon, with high skill and repute, would still be able to "cash in" on these personal qualifications, though high professional incomes would be considerably reduced if their rich clients were docked of their high business incomes.

It might appear that the science of economics would have found a leading interest in a thoroughly practical analysis of the bargaining processes which produce impropriety. And, indeed, it is possible to quote passages from most of the orthodox economists, from Adam Smith and Ricardo to the present time, showing an understanding of many defects in equal opportunity and free competition which yield gains to which the recipient has no moral right and which come to pass by some superiority of bargaining power. But, partly owing to the associations of most academic economists with the owning classes, partly to resentment at the wild exaggerations and errors of most socialist or communist assailments of capitalism, there has been a persistent

## THE DEFENCES

tendency to cultivate a type of economic theory which eliminates as far as possible all consideration of the inequalities which yield "impropriety." Indeed, it is hardly too much to say that most economic faculties in the universities of America and Britain and of most European countries have ranged themselves as defenders of the existing capitalism with its market system and of the impropriety that appertains thereto. In America Veblen has shown by his intimate understanding of the situation the close direct dependence of most universities for their financial existence upon the goodwill and confidence of the moneyed classes, whose benefactions are a vital necessity of academic life, and upon the State grants which are under the control of the political allies of the moneyed classes. Under such circumstances it is easy to understand how much care must be taken by Presidents and Boards of Governors to select teachers who are "safe" in the facts and theories they inculcate? Using the popular language, "radicals" must be kept out or "fired" if they get in unknown to the authorities.

## OF IMPROPERTY

In Britain the procedure is less crude but hardly less effective. The direct censorship exercised so often in America hardly exists in British universities, steeped in the traditions of free thought and free expression. There is, of course, a selective process of appointment which would make it difficult or impossible to appoint a professor or lecturer in the social sciences known to be a socialist or an economic heretic. But teachers once appointed are free to develop their thought and teaching outside the orthodox limits. The risk here involved is probably greater than the classical economists can realise. For so confident are they in the rightness of their economic laws and theories that they underrate the probability of a younger generation of students and teachers using their free minds to reject these laws and develop other theories. Hence it comes about that in our universities, and even in the more rigorously regulated American universities, an increasing number of teachers indulge their freedom in the development of economic heresies. The existence of a few such cases may perhaps be said to have a protective value for the orthodoxy

## THE DEFENCES

of the majority. For it safeguards their contention that their orthodoxy is the result of free thought unbiased by financial, social or intellectual pressure. Now though few economists are consciously biased by such pressure, their thinking is without doubt unconsciously influenced by the economic environment of their upbringing, which blinds them to the defects of the conventional economic order. Most of them thus pass to an easy acceptance of the current economic teaching which defends that order against proletarian attacks. It is this early sympathetic association with the owning classes that helps to stimulate them to the line of thought which makes them the valuable intellectual guardians of impropriety. The expert students of any subject are naturally inclined to make their studies as exact as possible. This signifies a drive towards quantitative measurements as the means of converting what is otherwise a loose set of generalisations into an ordered science. Of all the social studies economics most readily lends itself to this procedure. For by imposing certain plausible exclusions upon the study of economic processes it is possible to bring

## OF IMPROPERTY

them under the quantitative rule of law. In most other studies of human conduct, as in ethics, æsthetics, politics, this process is baffled by qualitative differences which are fundamental. But in economics "the measuring rod of money" may be applied as the sole criterion of value. Though some difficulty may arise in a "Crusoe" economy, where different kinds of satisfaction or disability come into play, when we concern ourselves with modern productive processes and markets such differences disappear and money becomes the right measure of all costs and utilities. This method gets rid of the awkward facts relating to the differing human efforts and sacrifices involved in any given economic "cost" according to the different capacities of the workers and the length of work-time. So likewise it enables us to disregard the human differences of enjoyment in the processes of consumption of any given quantity of goods. In a word, human values, being qualitative and divergent, are excluded, and a dehumanised value, alleged to represent an average man both as producer and consumer, is inserted. By this falsification of essential facts the

## THE DEFENCES

basis of an exact science is laid. It is supported by two other assumptions equally remote from actual economic life. One is that completely free mobility exists in the application, industrial and local, of the various factors of production. The other, closely related, is the assumption of the infinite divisibility of all these factors so as to furnish validity to the doctrine of "marginalism," which constitutes the chief discovery of the modern classical economics.

This doctrine enables them to hold that every worker tends to get what he is worth, and that the distribution of wealth is substantially in accordance with a just and economically necessary law.<sup>1</sup> The teachers of this gospel (for it is "good tidings" to the wealthy classes) do not, of course, pretend that it works without friction and hard cases. But they furnish an intellectual service that helps to allay the doubts which beset the minds of ordinary educated persons when they are confronted with the contrast<sup>2</sup> of riches and poverty and are disposed to question the justice and necessity of such a contrast.

<sup>1</sup> See Appendix, pp. 214-23.

## OF IMPROPERTY

Incidentally, this teaching performs another service. By its stress upon free bargaining and competition and mobility of economic resources it arrays the sentiment of liberty upon the side of capitalism. Business men and their politicians are quick to perceive the propaganda use of this as a defensive weapon against socialists and others who would use the State and its legal powers to curb the abuses of impropriety. The group of business men in America, who have annexed the Statue of Liberty (the American Liberty League) to fight the interfering policies of the New Deal, is a recent example of this impudent abuse of language. Personal freedom is threatened by coercive legislation and labour organisation. Let each worker be free to make his own bargain with his employer without submitting to the coercion of a trade union or to legal restrictions imposed upon him by the State—a plausible enough creed to those whose interest it is to accept it. But it happens to ignore the basic facts of freedom. Unemployed and starving workers are not free bargainers; competition between a great combine and an outside firm is not free

## THE DEFENCES OF IMPROPERTY

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competition; trade between advanced and backward peoples is not free trade; farmers who must sell to a combine of local dealers or pay the freight charges of the only local railway are not free marketers.

There can be no liberty without such equality as comes from putting ownership on a fair footing —that is, from the abolition of improperty.

## CHAPTER V

### THE LINES OF A CONSTRUCTIVE POLICY

#### THE LEGITIMATE LIMITS OF PROPERTY

WE HAVE SEEN HOW the modern insecurity of life and livelihood, with the poverty and misery that attach thereto, is directly attributable to the maldistribution of income inherent in the irrational and inequitable working of the current economic system. We have also recognised that in modern economic societies this "impropriety" is usually blended with some form of property which from the social standpoint is sound in its origin and serviceable in its use. In any social remedies against "impropriety" and the maldistribution from which it arises, and to which it contributes, the intricacies of this blending must be kept in the foreground of consideration. Care must be taken not to weaken any genuine

## THE LINES OF

contribution which the desire for personal property for use or enjoyment makes towards any output of productive efficiency. Though, as we have seen, there is a sense in which all property in modern economic life is socially made and valued, we must not jump to a hasty conclusion that its ownership and use should be "socialised," and that all private ownership and private enterprise in production should be liquidated. For we have recognised that any such complete socialism or communism is unworkable because it ignores the structure of a human nature which is only in part standardised, and which in all its members contains some needs, desires, and capacities that are inherently personal, individual, and unique. The reformed economic system which is desirable for current capitalism must recognise and be based upon this radical distinction. It must attack the evils of impropriety because they interfere with the right equilibrium between those wants and activities of man that are common to all men, relating to "standards" of production and consumption, and those that are diverse and unstandardisable. This consideration is directly

## A CONSTRUCTIVE POLICY

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bound up with our conception of liberty and progress in a community. Standardisation is in the true interest of human liberty just in so far as it economises the energy put into the supply of the common animal needs of man, in order to set free a larger amount of human energy for the satisfaction of those needs which distinguish one man from another and which, because of their qualitative distinctions and the keener consciousness attached to them, we classify as "higher." If social and economic progress is realised in the increasing development and satisfaction of these higher needs, we have an important key to remedial measures directed against improvidence. For improvidence in its detrimental influences upon quantity of production is seen to be directly causative of insecurity and a failure in supply of standardised goods for the common needs of "the people," while it satiates and deteriorates the personal consumption of the rich.

Our argument has sought to reconcile two lines of progressive policy commonly held to be divergent, viz. the equality of opportunity that forms the basis of enlightened "liberalism" and

## THE LINES OF

the growing demand for public ownership, operation and control that forms a practicable socialism. As we see it, these policies not merely are not opposed, they are organically united. Our criticism of current economic reforms is that, from a failure clearly to understand the need for co-operation between these two tendencies exhibited in our national policy, we have failed to make the progress which the remarkable strides in modern science have made available. Clumsy, stupid thinking, combined with a refusal to think at all, upon major economic issues, is bringing the world into a desperate plight. The final condemnation of individualism is in the realm of thought. There has been plenty of keen thinking among business men and workers. But apart from the facile acceptance of a few general *clichés*, this thinking has been almost wholly confined to the endeavour of each man, or each group, to obtain for themselves <sup>some</sup> strongly desired immediate gain—in money, prestige or power. The good or gain of the community, conceived as the nation, or mankind, has virtually played no part in their thinking or planning,

## A CONSTRUCTIVE POLICY

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though figuring largely in political oratory. It is this narrow individualism that everywhere blocks the way. For it is evidently no longer true in any sphere of activity that the self-chosen activities and aims of each will add up to the benefit of all. This personal and national separatism is directly responsible for those internal and international conflicts—economic, political, and, in the last resort, military—that threaten civilisation.

### TWO LINES OF REFORM

What then can we do to be saved? It is not here possible to do more than indicate the general lines of a social policy based upon the absorption of “improperty,” partly into legitimate and useful forms of private property, partly into public property usefully applied to the common good. By the first of these lines of policy, the unfair bargaining between rich and poor, between the owners of land and capital and the workers who need the use of these instruments for their productive labour, can be redressed. The trade unions and co-operative movements have,

## THE LINES OF

in their different ways, been directed to remedy these inequalities of bargaining and so to secure for the workers, as producers and consumers, a share of the "impropriety" that would have come to the stronger owning classes. But, though collective labour bargains have brought some distinct gains in income, leisure and personal safety to workers whose industrial status and organisation place them at an advantage, unskilled workers, or skilled workers whose situation disables them from strong collective pressure, have gained little and have even stood to lose by the effect of successful unionism upon the costs and prices of consumable goods. Trade unionists have learnt that it is necessary to supplement their capacity of collective economic bargaining by the legislative and administrative action of the State and the Municipality. I do not here refer to the Factory and other Acts primarily motived by humanitarian considerations, but by the recent measures directly designed to secure for the workers enlargements of their incomes and increased measures of security against poverty, ignorance, sickness, old age and unemployment. The

## A CONSTRUCTIVE POLICY

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growing expenditure upon pensions, unemployed relief, health and education, so far as the cost is defrayed from progressive taxes upon incomes and inheritance, may be treated as a genuine attempt to convert improvidence into property, waste into utility. More generously applied, and strengthened by an extension of minimum wage and leisure conditions generally applied throughout the economic system, this line of remedy might go far towards that better distribution of income seen to be desirable not only in the interests of justice and humanity but of the full employment of capital and labour. In this policy the Trade Boards Act was a revolutionary step. For the "sweating" against which it was directed was only an extreme case of the maldistribution which everywhere expresses the weak bargaining power of workers and the related profiteering of owners and employers. But it is evident that the recent use of political power by the workers to supplement their collective bargaining has strict limits. So far as the costs of growing "social services" press on taxation, there has been a tendency of governments to substitute indirect

## THE LINES OF

taxation in the shape of tariffs, embargoes and other burdens on working-class consumers for the direct taxation of the higher incomes and inheritances where impropriety lies.

### PUBLIC ENTERPRISES

There is, however, another aspect of the growing public expenditure that deserves attention, viz. the undertaking of public works such as housing, road construction, afforestation, harbours and other additions to what may be called the public capital structure of the country. Though some of this expenditure may produce early consumption utilities in the larger sense of that term, most of it can only fructuate consumptively a good deal later on. It may, therefore, be regarded as a capital outlay in addition to the private investments in business capital. So far as the taxation which finances it falls upon the owning classes, it absorbs some of those savings which, as we see, tend to exceed the capacity of profitable private investment and which, lying idle, produce depression and unemployment.

## A CONSTRUCTIVE POLICY

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There can be no doubt that these forms of public expenditure have sensibly lightened the burdens of trade depression in this country, partly by absorbing quantities of labour and capital which otherwise would have been unemployed, partly by providing a rate of consumption for the unemployed which, however deficient for their full needs, was considerably higher than that provided in any previous period of depression.

### EXPENDITURE ON ARMAMENTS

The economic effects of the increased expenditure on armaments to which all great and some small countries are committed are not easy to assess. On a first view, regarded as an application of large public revenues to non-productive goods and services, it appears to furnish an additional correction to the disequilibrium between spending and saving, by expanding the investment market so as to "justify" a larger proportion of saving. This is irrespective of whether increased armaments are a sound social service

## THE LINES OF

of national defence or not. Their immediate result is the absorption of some capital and labour, otherwise unemployed, in the production and operation of articles which lie outside the ordinary play of economic forces.

But two important qualifications must be borne in mind. So far as the increased costs of armaments are compassed by a reduced expenditure in "social services," or by a stoppage of such rise in expenditure as would otherwise take place, the effect upon absorption of unemployment is nil. Capital and labour are transferred from employment upon housing, roads, health, education and other definitely productive services into the making and tending of arms and munitions which may be treated as protective services though their final use is destructive. The other qualification relates to the method of financing increased expenditure on armaments. In proportion as it falls upon indirect taxation, through tariffs and other burdens on the price of staple commodities, it reduces the consuming power of the working classes, and simply transfers employment of capital and labour from the production

## A CONSTRUCTIVE POLICY

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of consumable goods to the production of arms and munitions. More men are employed in making instruments of destruction, fewer in making consumption goods and the capital goods required in these productive processes.

So far we recognise a joint action of labour organised in trades unions and co-operative societies, with a growing body of publicly financed social services, as a useful contribution towards a rectification of the balance between saving and spending, production of consumption goods and of capital goods, a check upon those operations of economic force which are at once the origin of impropriety and the results of its abuse.

## DIRECT LINES OF SOCIALISM

But these measures appear to socialists far removed from their true remedy, the national ownership and operation of all the instruments of production, distribution and exchange. Our analysis of the economic system and the radical distinction it discloses between industries which

## THE LINES OF

are standardised in character and those which are not, between those industries which shed competition and become monopolies and those which remain competitive, forbids us to commit ourselves to a completely planned national socialism. We have to ask, "What are the industries which can be safely and economically worked by the State or Municipality in the interest of the producing and consuming public, and what are those best left for the present to private competitive profit-making enterprise?" The general trend of sound socialism would be towards public ownership and operation of what are termed "key" industries and "monopolies." An examination of these two groupings will show that for the most part they are identical in the industries they cover. It is easy to recognise among the "key" industries, iron and steel, electric and other power, transport by rail and road, and in part by sea and air, banking, insurance and investment—key industries in the sense that most other industries which produce, carry and distribute final commodities require the services of some of these key industries. But all of these industries tend to

## A CONSTRUCTIVE POLICY

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become monopolies in whole or large measure, partly because of the genuine advantages of large-scale over small-scale production, partly because they rest upon some ownership or control of superior natural resources, partly by process of cartelisation or other price arrangements for regulation of output and of markets.

### MONEY, TRANSPORT AND POWER

It ought now to be easy to recognise that sound economy in the production and use of money and its direction for investment, demands full national and international control. The issue of money was early recognised as a State function justified alike by convenience and safety. The fact that modern processes of industry and commerce have for the most part displaced currency by credit does not rightly dispose of the need for public ownership and operation. To leave to private enterprise the manufacture of the quantity and quality of credit and its apportionment to different channels of trade and speculation is one of the largest follies of modern individualism.

## THE LINES OF

The chief defence of this private enterprise is its chief condemnation. The granting of private banking credits, it is urged, demands a delicacy of judgment and a secrecy of action which could not be maintained under a socialised banking system. But, regarded from the social standpoint, would it not be better that this delicacy and secrecy should be replaced by a more open and objective policy, in which credit should not be secretly apportioned ? For while it may be to the advantage of an individual borrower that his actual financial position should not be known to his competitors or to the business world at large, such full reliable knowledge must be to the advantage of that business world. If a public credit system were established, though it might retard or check some legitimate speculative business operations, it should render impossible such displays of bank folly, as the Hatry case revealed, and, still more important, might stop the dangerous part played by credit issues and withdrawals in the production of " booms " and " depressions." Moreover, it must not be forgotten that when the private banking system, or any of

## A CONSTRUCTIVE POLICY

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its big members, gets into serious difficulties by injudicious operations, the State comes to its rescue by a suspension of the Bank Charter Act and other public assistance, which in substance places the credit of the nation behind the faulty credit of the banks. This is the worst possible form of financial socialism, for it actually encourages the big banks to undertake risks which they might not undertake if they did not know that the penalties of error would not fall upon their backs. Corresponding to the public ownership and operation of money is the socialisation of the main channels of transport. Here, as in money, private enterprise has injuriously trespassed upon public. For the main routes of land carriage, alike for goods and persons, were publicly owned and operated before the coming of the railroad. While postal, telegraph and telephone services in this and most other countries (though not in America) are publicly owned and operated, the need for the nationalisation of railways is urgent and immediate. For control of rates is clumsy and ineffective while the competition which formerly was some guarantee of efficiency has now virtually

## THE LINES OF

disappeared. Moreover, the acquisition by the railroads of a growing ownership and control of road traffic strengthens a monopoly which never should have been permitted to grow up. Money and transport are obviously marked out for national services, being essential for all movements and exchanges of economic goods. Power is the word which denotes an economic activity equally associated with manufacture and transport. Here electricity and oil are the chief modern sources, with coal as a partial contributor to both. Left to private enterprise, run on short-range profiteering, these fundamental industries are liable to two dangers: monopolistic control of output and prices or waste of natural resources from excessive operations.

## THE CASE OF AGRICULTURE

Neither in this country nor in any other is private ownership of land and its resources absolute. The State possesses a right of "eminent domain," which under sufficient pressure it will exercise in limiting the rights of private ownership.

## A CONSTRUCTIVE POLICY

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In some countries coal and iron mines are operated as public industries. The generation and distribution of electricity is already regulated in Great Britain by public authority, and the nationalisation of coal mines cannot be long postponed. So far as the land of each nation is the sole or main source of the materials which supply the common or standard needs of the inhabitants, most governments are turning consciously to a recognition of their duty to "conserve" these national resources, either by public ownership and operation, or by bounties and restrictions directed to encourage their best use. Since foods and the materials for clothing, housing and other common elements of a standard of living are in most countries derived directly from their land, public ownership or stringent control would appear to emerge as natural elements of that economic nationalisation which is so potent a tendency of our time. But what is the best policy for Great Britain, with its dependence upon overseas resources for most of its essential foods and raw materials? Though mechanical and biological methods are rapidly engaged in

## THE LINES OF

standardising certain processes of agriculture on a scientific basis, it would be idle to pretend that agriculture could in this country be socialised or even placed upon a wide co-operative working. Even in countries where large stretches of land identical in climate and in soil exist, it has been found difficult or impossible to put agriculture on a basis of public enterprise without allowing for the peculiar personal interest of the actual worker in the piece of land on which he works. Even the group-farming in Soviet Russia would not work without a reversion to increasing measures of private ownership. Where peasant proprietorship is the established rule, as in France and Scandinavia, no Socialist Government would attempt to nationalise agriculture. In other words, agriculture in most of its operations retains a personal individual interest and activity distinct from the co-operative character of a mine, a factory or a workshop. This applies with special force to our agriculture, conducted mostly in small farms, differing in situation and fertility, and workable only by those intimate with the capacity of each field. The chief reforms needed here are the

## A CONSTRUCTIVE POLICY

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rescue of the working farm-tenant from the more oppressive burdens of the land owner, the liberation of the labourer from the clutches of the tenant-employer and his general access to a small holding within his competence, and the public ownership and supply of the more expensive modern machinery and power required for good modern farming. But these considerations do not exhaust the part which the State must play in securing the standard food supplies and raw materials for common use. Though it would be foolish to attempt detailed planning in a system of State-owned farms, a direction of national agriculture by subsidies, bounties and guarantees of prices, so as to evoke the best social uses of the land, will certainly form part of a national economy. In this country it would doubtless be accompanied by a public operation of import trade so organised as to encourage the desirable output of agriculture at regulated and guaranteed prices. Whether such a system will demand the displacement of private by public ownership of agricultural land, so as to remove the possibility of land-profiteering, is a question for politicians to

## THE LINES OF

answer. The important point is that an adequate incentive be left to the actual workers on the soil to stimulate their most efficient productive activity. The collection and marketing of their produce will be an important public business, conducted upon a price basis which must give security to farm workers and reasonable direction to their future enterprise. All city sites and the neighbourhoods closely affected by their values will be municipally owned.

### HOUSING

Housing is more and more recognised as a public industry because of the discovery that private enterprise, having regard to the lower wage-levels, cannot and does not meet the requirements of modern hygiene in regard to the size and quality of housing accommodation. Jerry-building is one of the worst maladies of the age. As against this tendency, there is the increasing activity of building societies financed by the savings of the working classes. This sentiment of property in the roof over one's head in

## A CONSTRUCTIVE POLICY

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view of personal security and the sense of possession resembles the land-worker's sentiment towards his piece of earth. But the utility of fastening this home sentiment to a particular spot is dubious. If every worker owned his house, such localisation might gravely interfere with the desired mobility of modern industry. Public ownership should afford the necessary security with better hygienic conditions and with freedom of movement in accordance with economic changes.

### OTHER ELEMENTS IN A STANDARD OF LIVING

Now turn to other ingredients in what we term a standard of living—clothes, furniture, recreations and amusements. How far are we to regard the productive processes which furnish these goods and services as sufficiently standardised to fall into the category of socialisable industries ? Here it may be well to recognise a difference between the early and the later processes of production. If we take the case of clothing, we

## THE LINES OF

find large capitalist machine-production dominant in the spinning and weaving processes by which cloth is produced. In these trades the advantages of combination are being pressed upon the cotton and woollen trades, and the era of free competition is evidently passing. Here, as in many other instances, we shall be confronted no longer with the alternatives of competition and monopoly but of private *versus* public monopoly. These basic industries, standardised under machinery, are evidently fitted for public operation. When we come to the later stages of tailoring and dress-making, or such a trade as shoemaking, we come up against a fairly clear distinction between the stock and standard shapes, sizes and qualities which can meet the ordinary needs of most consumers and the demand for special fits and personal preferences on the part of those who can afford to pay for these expensive satisfactions. Even in a socialised community, with substantial equality of incomes, this difference, rooted in the physical or mental character of individual consumers, will arise, and the attempt to ignore it by a rigid standardised industry would be

## A CONSTRUCTIVE POLICY

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injurious. Now the satisfaction of these special needs demands a corresponding particularity in production which machinery cannot supply. When it is a case of some widespread fashion, as in many luxury goods, such as cosmetics, cigarettes, or even cinemas and the cheaper motor-cars, large-scale mechanism can prevail, but wherever genuinely personal needs or refinements of taste enter, productive skill of human craftsmen must prevail over machine-production.

It would appear that there are two causes for a legitimate survival of private enterprise, one relating to the demands of consumers, the other to the unstandardisable character of important raw materials. The best example of the latter is in the boot and shoe industry. While the individual difference in shape and quality of hides may be ignored for the making of ordinary shoes, graded in large quantities by size and shape, the finer qualities of hides require a skilled treatment, and the more expensive shoes will still be hand-sewn. Irregularities of material and of demand will thus keep for private profit-making enterprise a number of industries engaged in the final

## THE LINES OF

processes of production because of the natural organic differences in raw materials and in human needs. Some reasonable control over such private enterprise can and should be exercised, both as regards conditions of employment and, if necessary, final prices, though the nature of such industries should suffice to keep them sufficiently competitive to safeguard the interests of consumers. It is only where such a business can get preferential access to some necessary raw material that the danger of monopoly might arise.

## THE ISSUE OF ECONOMIC NATIONALISM

Such are the broad lines of a policy based upon a radical distinction between standardisable and unstandardisable production and consumption, and directed to the consideration of the limits of a practicable socialism. If our nation were a self-sufficient economic system, the dual policy of socialism and private industry which we have sketched might seem secure. Or, if other nations with which we have trading relations placed themselves on a similar footing, an international

## A CONSTRUCTIVE POLICY

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arrangement might secure so advantageous a "division of labour" as to enable each nation to take its proper economic place in a world commonwealth. But the actual situation in which this country organised upon the lines above laid down would find itself would be quite otherwise. Continuing, as we must, to draw a major part of some of our essential foods and raw materials from overseas and to purchase them by selling our own goods in export trade, we should be obliged to entrust some expert public authority with the skilled task of securing the necessary flow of imports and exports by the regulation of foreign exchange. Since most of our imports would be foods and raw materials for socialised industries, our Government, offering a large steady market and reliable payment, should be in a strong position for bargaining either with foreign governments or their private businesses. Though temporary difficulties might still arise from widespread crop shortages or other failures in overseas productivity, damage to our home industries from foreign dumping of surpluses would no longer occur, and the knowledge of the

## THE LINES OF

size and regularity of our import markets would help to check excesses of output in the countries which sell to us. So far as our exports (manufactures, transport, and other services) are concerned, while most of this trade would be conducted by the State, a portion would remain in the hands of private businesses handling the sorts of goods which are not deemed fit for public enterprise. Here the regulative influence of publicly controlled finance would be exerted so as to maintain a short or a long-term balance of national trade.

## THE CASE OF FOREIGN INVESTMENT

Though socialised trades would be conducted on methods which would yield no profits for foreign investment, I see no reason why any prohibition (such as Mr. Keynes seems to contemplate) should be placed upon the foreign investment of such portions of profits or other income from such private business enterprises as still remain in operation. Such prohibition seems a needless and injurious interference with a

## A CONSTRUCTIVE POLICY

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natural flow of the surplus gains in one country towards the development of a better or more useful industry in another country that is unable to perform this work out of its own resources. If it be deemed more desirable that such surplus income be allocated to the further development of socialised industries in this country, the best mode of attaining this object is through a profits tax. But it would still be arguable that an intelligent government might favour foreign investment when such use of capital seemed likely to develop natural resources needed later on for our expanding public industries. This hugging of all our savings for purely national development is inimical to that growth of economic internationalism which in the long run makes for peace and world security. If the doctrine of "an invisible hand," leading everyone to contribute to the common good by an intelligent pursuit of his own self-interest, were applicable both to individual economic men and to national economies, foreign trade, investment and migration might be left to this automatic or providential play. But seeing that the alternative is

## THE LINES OF

between purely selfish national economies, imposed by strongly organised business interests posing as representative of their nation, and an international trade, the ordering and control of which will more and more pass into the hands of governments operating (so far as they are genuinely democratic) in the interests of all classes of their peoples, we cannot hesitate in our preference for the latter alternative. For under it there is at least a reasonable prospect of an international economy in which the material and human resources of each country shall be so utilised as to serve the good of humanity. Much will depend, of course, upon whether the different nations engaging in such commerce have adopted an internal economic policy along the lines here envisaged—a policy which has virtually eliminated impropriety from their national system and so abolished those surpluses of stocks and savings which are seen to be the real causes of those tariffs, quotas, embargoes, bounties, dumpings that are weapons in the dangerous modern fight for markets. Just in proportion as impropriety disappeared from the respective national

## A CONSTRUCTIVE POLICY

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economics, these dangerous and wasteful forms of economic warfare would cease. Under this new order, those business interests and pressures which drive an increasing quantity of productive energy into the armaments industry would no longer operate, and economic peace would lead to military peace. For though, as we have shown, the causes that make for war are largely non-economic in their nature, appeals to economic interests and needs are essential items in every war-propaganda, and competing armaments are a direct incentive to their employment. It would, however, be wrong to conclude that if all or most nations conducted their external trade through governmental action, instead of by private enterprise, complete international harmony would be secured. For so long as these governments were dominated in their trade transactions by considerations of short-range national interests, international trade would be a bargaining among monopolists. Any government whose country possessed an exclusive or a predominant possession of some essential or important raw material, such as oil, tin, cotton, rubber, tungsten,

## THE LINES OF

would be able to impose upon other governments needing such materials terms of exchange that were usurious and would keep alive some feeling of national ill-will against the exploiting nation. This trouble and its potential danger to peace can only disappear with the gradual weakening of the sentiment of nationalism that should naturally accompany the decay of the major conflicts between nations by reason of the increasing consciousness of their solidarity of interests in the preservation of peaceful relations and the improved commercial and human intercourse. In proportion as each nation had succeeded in establishing its internal economic and political conduct on a basis of equitable property and sound public economy, not merely would the international economic conflicts of interest be abolished, or abated, but a positive sense of the paramountcy of the interests of humanity would begin to assert itself in the hearts of all decent-minded men and women. The exploitation of a monopoly for purely national gain by a people whose country possessed some essential material for world-industry might then be recognised as

## A CONSTRUCTIVE POLICY

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an abuse of power. Only in the adoption of a common international policy, condemning national as well as class exploitation, and setting all property upon a right footing as an instrument of human service, can we attain the social ideal. But we need not wait for this distant achievement before setting ourselves to the plainer and nearer task of putting our national economy on an equitable basis. The wastes as well as injustices of improvidence are now manifest, and the roads to remedy stand open to every people who will assert their legitimate rights in the control of their economic life.

## CHAPTER VI

### A SUMMARY

IN A PRIMITIVE SOCIETY where each man, or each little group, worked upon its material environment to make its food, clothing, shelter and other useful or ornamental objects, the difference in origin between property and impropriety was clear and simple. All property was got by labour. But the seizure by force or craft of such property so that it became the possession or property of the seizer was the origin of impropriety. This impropriety was not, however, regarded as wrong, or in the strict sense improper, because the qualities of force or craft which acquired it were esteemed more highly than those which were employed in laborious production. This superior prestige of impropriety was accepted not only by the predatory members of a primitive society but by the labouring class who were not themselves the sufferers when the

## A SUMMARY

seizure was exercised over property outside their group.

Gradually, as we have seen, the growing intricacy of economic processes, even in pre-capitalist times, confused this clear distinction. For when several workers, often unknown to one another, co-operated in the different processes which made food, clothing and shelter, it became impossible to mark off the exact contribution made by any individual worker to the final product. When such products were made, not only for the use of their makers, but for a market in which they exchanged against goods made by other groups of workers, the simple rule that whatever a man "made" was his own property became inapplicable. Moreover, when markets came to play a leading part, certain abuses of bargaining began to generate forms of impropriety less crude than the earlier predatory processes. Traders began to acquire wealth by controlling or rigging markets. These practices, though less reputable than the primitive predatory methods, helped to confuse the situation. For traders were recognised as playing a useful

## A SUMMARY

even a necessary part, and it was not easy or possible to distinguish the property that came to them as rightful earnings from the improperty that came from forceful bargaining. Historically, indeed, what we know as industrial capitalism first entered as the use by traders of monetary surpluses thus acquired in order to organise numbers of craftsmen and other hand-workers into markets for the sale of their product to the wholesale dealer and to extend to foreign countries the area of their commercial enterprise. Trading companies, buying from and selling to the inhabitants of backward countries, were the forerunners of big capitalist enterprise, drawing large profits from transactions in which they got the best of every bargain, partly by superior knowledge of the relative values of the goods they bought and sold, partly by imposing their terms upon those with whom they dealt. But when modern capitalism entered directly into industrial production by the employment of machinery and power, the confusion between property and improperty was further complicated. It not only became impossible to

## A SUMMARY

measure the part played by any worker or group of workers, manual or mental, in the production of useful goods, but the part played by managerial ability and enterprise could not be kept distinct from the provision of the plant and power, so as to allot to each owner of a factor of production his due share of the price paid in the market for any finished product. This difficulty still remains the chief obstacle to economic peace. For the fact that improperty is everywhere mixed with property enables the possessing classes to accept the view that whatever the "laws" (which they have made) recognise as legal ownership is property, and that the charges brought against improperty are the inventions of envy and malice. On the other hand, this same intricacy, baffling the intelligence of the workers and their theorists, has led to the formulation of demands which, though not, as we have seen, containing a repudiation of all rights of property, are often so vague and indiscriminating as to stiffen the defence of improperty.

But, notwithstanding these difficulties, recent political and economic movements in Europe are

## A SUMMARY

clarifying the atmosphere. Fascist rule in Italy, Germany, Portugal, and elsewhere is avowedly directed to mobilise the owning minorities, together with their religious, social, intellectual, political and military supporters, against the majorities of working-class citizens who demand a drastic alteration of the economic system, which shall distribute property more favourably to them, and shall remedy the wrongs and wastes in the working of capitalism. The more active and organised assailants of fascist-capitalism are described by the mouthpieces of the latter as communists, socialists, anarchists, or are lumped together as "Reds," always with the charge that they are inspired and subsidised from Moscow. The recent outbursts of sympathy for fascism, evoked by the Spanish conflict in the British and American owning classes and their organs, have materially helped to rally the less politically minded workers to the defence of democratic institutions, and are bringing them to realise that their vital interests are concerned with the preservation of majority rule in a democratic State which must henceforth be more and more

## A SUMMARY

engaged in dealing with the defenders of im-  
property. The failure of capitalism in every  
capitalist country to deliver the goods, attested  
by the huge and continuous unemployment, has  
been a sufficient ground of condemnation to the  
mind of the ordinary citizen. Not all the sophis-  
ties of economists or of the owning classes can  
counter this exhibition of incompetence and  
waste. Hence the rally of the worker-citizens to  
the "socialist" cause and the alignment of the  
two camps within each nation and in the grouping  
of nations under the general terms of fascism and  
communism. Though neither of these terms can  
be said accurately to describe the conflicting  
forces, that a conflict is arising, more conscious  
and more determinate in its formation, and its  
aims, is incontestable. And the real struggle within  
each nation and in the international arena is  
waged for and against improperty.

## MARGINALISM

MARGINALISM as a modern economic doctrine is in its origin an application of the so-called Law of Diminishing Returns first applied to the use of land as a factor of production. Where there is plenty of land of varying grades of quality available for agricultural use, the worst land in use will, with a given application of labour and capital, produce just enough to pay its way, on a no-rent basis, at a given price-level for its product. If prices rise, it will be worth while lowering the margin so as to take in land that it would not have paid to cultivate before: if prices fall the hitherto marginal land will pass out of cultivation. So far as land is regarded as only applicable to some single agricultural use, the logic of this statement is irrefutable. But it applies, not merely to land, but to workers and to capital in the concrete form of plant and materials. There are

## MARGINALISM

in any given conditions of trade costs and prices certain grades of workers whose efficiency just makes them worth employing at a given wage: if other costs fall, or selling prices rise, this labour margin may fall, and it may be worth while employing men of lower efficiency; if other costs rise, or selling prices fall, men at the former margin of efficiency will be put out of employment. So likewise with existing plant and raw materials which in normal times are fully utilised: if trade gets bad the worst qualities of plant will cease to be worked, the worst grades of materials will no longer be used; if trade improves, it may pay to put in more machines or higher-priced machines and to purchase more materials at a higher price.

There is a margin for labour and for capital just as for land, i.e. some level of quality which is only just worth while employing. The fact that marginal labour must have an actual wage, while marginal land pays no rent, masks a fallacious distinction. For land, like labour and capital, needs some provision against loss of productivity —in other words, a wage of maintenance.

## MARGINALISM

But all this "marginalism" simply means that any business man finds it necessary to employ for his several processes certain quantities of each factor of production, and neither more nor less. These quantities will be determined by the general structure or composition of his business as an organic whole. Though in planning out such business he will assign quantitative limits to the several kinds of labour and capital, he will recognise that no special significance attaches to the marginal portion of each factor. It will never occur to him that this marginal factor has a separate productivity of its own and that the payment for it in wages, interest or rent measures that separate productivity.

This assignment of a separate productivity is a figment of the economist's imagination. It fits in with and proceeds from his craving for an exact science, and one which will defend the existing economic system against charges of capitalist exploitation. For if the marginal worker just produces "what he is worth," his wages, his wage-rate being the same as that of all the other workers, then they too produce the value of their

## MARGINALISM

wages, and the notion of a surplus taken by the exploiting employer evaporates.

Not merely is a separate product assigned to each unit of production in the organic structure but the marginal unit "fixes" or "determines" the price paid to the owner of each factor. This doctrine is best set out in the following passages from Professor J. B. Clark's *Distribution of Wealth*:

"There is a commercial principle which causes the first or marginal part of the supply to be strategic in its action on the value of the whole group. The value of the whole crop . . . *conforms* to that of the marginal bushel. If there are marginal labours, in the sense in which there are marginal quantities of wheat, cotton, iron, etc., then the final or 'marginal' men are likewise in a strategic position; for *their products set the standards* of everyone's wages. . . . The last increment in the supply of any commodity fixes the general price of it" (p. 90). "The specific productivity of labour fixes wages—that is the thesis to be supported in this volume" (p. 47).

That this presentation of margins disposes of the existence of any surplus in the shape of excessive rent or profit is most plainly asserted by Wickstead in his *Commonsense of Political Economy*.



## M A R G I N A L I S M

For he points out that

“ all the units of every group are always marginal units, whatever the margin may be; and, therefore, naturally, the marginal distribution accounts for the whole product—it is not open to anyone who understands the facts to argue that when, by a marginal distribution, every factor, reduced to the common term has been satisfied, there remains any residuum or surplus whatever to be divided or appropriated. The vague and fervid visions of this unappropriated reserve, ruling upwards as we recede from the marginal distribution, must be banished for ever to the limbo of ghostly fancies ” (p. 573).

“ We now see once for all that the marginal distribution in one sense (that is to say, the distribution of the product in proportion to the significance of the addition or withdrawal of a small increment at the margin determined by the present supply) exhausts the whole product ” (p. 573).

Now this analysis is all based upon ignoring the composite co-operative character of an organic business structure. In planning such a business structure the organiser, of course, calculates the size and proportion of the different productive factors. He estimates that a capital of (say) £20,000 is needed to equip and operate an up-to-

## M A R G I N A L I S M

date mill, that so many thousands should go into purchasing so many machines to work in each process, so much material of different kinds wherewith to feed those machines, and so many workers in the several processes. But it does not occur to him (or to any sane-minded observer) that the final machine or final worker plays any part in determining the number of machines or of workers in each process or the total price to be paid for the use of plant and labour. The " how much " limit or margin in each case is itself fixed or determined by the requirements of the business as an organic whole.

This conception of a business as an organic whole also precludes the attribution of a separate measurable product to the marginal unit of labour or of capital, or of any combination of the two factors. The notion that this marginal productivity in a business can be rightly measured by the reduction in total productivity produced by its withdrawal is wholly unwarranted. Where a business consists of half a dozen related processes, in each of which a dozen men are employed, the withdrawal of any one man will



## MARGINALISM

involve the stoppage of five other men in other processes, and the total reduction of output is correspondingly increased. But this total reduction cannot be taken to measure the productivity of the first man withdrawn.

There is no marginal net product. In order to produce this false appearance, the nature of a business must itself be falsified, by attributing changes in structure which do not occur. If a change in technique is adopted which involves the displacement of some units of labour by machinery, or any other alteration in the proportion of plant costs to labour costs, no light is thrown upon the cost or the utility of this reform by paying attention to any particular unit of any of the factors, so as to reach Professor Pigou's "proposition" that "as the quantity of any factor increases, the value of its marginal net product decreases,"<sup>1</sup> for "it" does not possess any separate productivity so as to produce a separate product.

A similar reasoning disposes of the greater part of the importance assigned to marginal units of

<sup>1</sup> *Wealth and Welfare*, p. 81.

## M A R G I N A L I S M

expenditure in the outlay of a consumer's income. Because such outlay involves some exact distribution of payments between different articles of purchase, marginalists envisage a housewife making conscious calculations as to the purchase of the last pound of sugar and the last loaf of bread, so as to produce a true balance between the utility represented by the last shilling or penny spent on these different articles. Under normal conditions no such calculation is performed. The standard of living will no doubt vary with the size, age and other conditions of each family, but it is the relation between the different constituents of this composite standard that determines how much shall be spent upon each article. Indeed, the "organic" nature of a standard of living has a more definite meaning than the "organic" nature of a productive undertaking. For the main structure of a standard of living is derived from the physical needs of human organisms. The expenditure of income must, in the main, conform to physical requirements for bodily health and efficiency. Each item of such expenditure is organically related to other

## MARGINALISM

items; the different food items must co-operate with one another in quantity and character so as to make a sound diet. Where the income is only just sufficient for a "living," this centralised organic control of expenditure is obvious. Where there is a surplus beyond a bare living, the organic control is looser and the particular tastes and desires of the consumer, outside the range of mere vitality, will determine the outlay. But these tastes and desires are themselves derived from some central notion of a desirable life and cannot be divorced from this co-operative enterprise. Even the most extravagant expenditure assumes some organic relation between the several desires or passions that it serves. Nowhere can we impute that separatist utility to each or any item of expenditure which our marginalist desiderates.

The failure to take account of the economic consequences of the organic nature of the productive and consumptive processes seems natural to economists who have not yet liberated themselves from the false individualism which has failed to recognise that in modern society no

## MARGINALISM

person can make anything of utility or value without the social co-operation of all other members of society who, as workers or consumers, furnish the supply and the demand which determine the utility or value of what everyone does.

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